

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED  
LIMITED B  
GATT/CP/114  
10 May 1951  
ORIGINAL: ENGLISH &  
FRENCH

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## CONTRACTING PARTIES

### Notifications of Subsidies under Article XVI

#### and Related Statements

1. Article XVI of the General Agreement provides that "if any contracting party grants or maintains any subsidy, including any form of income or price support, which operates directly or indirectly to increase exports of any product from, or to reduce imports of any product into, its territory, it shall notify the Contracting Parties in writing of the extent and nature of the subsidization, of the estimated effect of the subsidization on the quantity of the affected product or products imported into or exported from its territory and of the circumstances making the subsidization necessary". The Contracting Parties at their Fourth Session agreed that such notification would be submitted, in accordance with these provisions, to the Contracting Parties not later than August 1, 1950, and that any new measure of subsidization or modifications would be similarly notified after that date as soon as possible after they are instituted (GATT/CP.4/SR.11 and GATT/CP/61, p.4).

2. Pursuant to these decisions ten contracting parties made notifications as required under Article XVI. Four other governments, while maintaining that they granted no subsidies which fell within the scope of Article XVI, nevertheless supplied explanatory statements in the belief that it might be of interest to the Contracting Parties to have a description of the subsidies they maintained.

3. At their Fifth Session the Contracting Parties decided that the statements submitted should be re-issued in a single document. In order that the compilation might be as complete as possible contracting parties were afforded an opportunity to bring their statements up-to-date or to supply further statements should they so desire, such supplementary information to reach the Secretariat before April 15, 1951 (GATT/CP.5/SR.20 and GATT/CP/92). The notifications and explanatory statements, together with any supplementary information subsequently supplied by the contracting parties concerned, are accordingly reproduced in this document.

4. Thirteen contracting parties (Brazil, Ceylon, Chile, Czechoslovakia, Dominican Republic, Greece, Haiti, Indonesia, Luxemburg, New Zealand, Norway, Pakistan and Southern Rhodesia) indicated that they did not grant or maintain any subsidies of the type defined in Article XVI of the Agreement. The Government of the German Federal Republic, as an acceding government, also indicated that it grants no such subsidies. No reply has been received from the

Government of Burma, Liberia, Nicaragua or Syria to the specific request in GATT/CP/92 for an indication as to whether the absence of notification is to be interpreted as denoting that no such subsidies are granted or maintained.

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\* Explanatory Statement; cf. paragraph 2 above.

A U S T R A L I A

Notification of August 23, 1950 with  
supplementary data supplied on  
May 4, 1951.

I. Nitrogenous Fertilizers

(a) Sulphate of Ammonia

A subsidy not exceeding in total an amount of £500,000 for the year 1950/51 is at present paid on sulphate of ammonia as a means of assistance to certain agricultural industries. Although the actual amount of subsidy has been varied since the Fourth Session of the Contracting Parties, the principles of the subsidization, and the estimated effects, remain as set out in document GATT/CP.4/39 circulated at the Fourth Session.

(b) Sodium Nitrate

A subsidy at the rate of £5.5.0 per ton was introduced on 1st November, 1950, on sodium nitrate used for fertilizer purposes. Details of this subsidy were circulated to Contracting Parties at the Fifth Session.

II. Tractors

Under the Tractor Bounty Act 1939-1950, bounty is payable to tractors produced in accordance with prescribed conditions for use within Australia. The rate of bounty ranges from £32 to £96 per tractor according to the belt-pulley horse-power of the engine.

This bounty may have had some indirect effects on imports but it is most difficult to assess them, and certainly they would be very slight. In the four complete post-war years for which statistics are available, Australia has imported 42,000 tractors as against 2,000 tractors locally produced and on which bounty has been paid. But for the world-wide shortage of tractors Australian imports would have reached a substantially higher level.

III. Sugar and certain products made from raw cane sugar

Measures are in force regulating the production and marketing of cane sugar and certain products made from cane sugar. The measures represent a system for the stabilization of the return to domestic producers of a primary commodity, as distinct from a subsidization measure which operates to maintain or increase exports and to reduce or prevent an increase in imports.

The measures are based on an agreement between the Government of the Commonwealth of Australia and the Government of the State of Queensland under which the latter government agrees to take such action as is necessary effectively to control the total production of raw sugar cane, and to acquire all raw sugar manufactured from sugar cane grown in Queensland and New South Wales.

The agreement requires the Government of State of Queensland to make the following products of sugar available for sale and delivery to wholesalers and the sugar-using industries at specified distribution centres throughout the Commonwealth of Australia at prescribed prices.

Refined Sugar 1A Grade.  
Refined Sugar of LXD Grade.  
Other Grades of Refined Sugar.  
Golden Syrup and Treacle.  
Mill-White Sugar.  
First Quality Mill Sugar.

The prescribed prices include provision for the conditional grant of a price rebate of £2/4/- per ton in respect of Australian refined sugar used in the manufacture of fruit products.

If the Australian equivalent of the world parity price for sugar is less than the prescribed selling price of Australian sugar the Agreement provides for the grant of a price rebate on the sugar contents of manufactured goods exported from Australia. For the past nine years the Australian equivalent of the world parity price has been higher than the domestic price and therefore no price rebates have been granted except the rebates provided for in respect of manufactured fruit products. The cost of any rebates, is borne by the Australian sugar producing industry from the pool of receipts administered by the Queensland Sugar Board. Since 1932 the Government of the Commonwealth has assisted in the administration of rebate provisions of the Agreement but not on the basis of providing funds for their grant.

The administration of the agreement involves the maintenance of regulations which provide that sugar may not be imported into Australia except with the consent of the Minister for Trade and Customs.

#### IV. Farm products

Australia maintains price support schemes for dairy products, and wheat. These are essentially schemes for the stabilization of returns to domestic producers and under certain conditions could affect imports and exports both directly and indirectly. However, at the present time, the Australian domestic price levels for all of these schemes would not at the present time affect imports or exports in the way envisaged in Article XVI.

(a) Wheat

Under the Wheat Stabilization Scheme, growers receive a guaranteed price based on production costs for all wheat delivered to the Australian Wheat Board. Since 9th December, 1950, the guaranteed price, which is also the home consumption price, has been 7/10d. per bushel f.o.r. ports, bulk basis.

The domestic price is substantially below the export price.

(b) Dairy Products

The Commonwealth Government has guaranteed to producers of milk or cream used in the manufacture of butter, cheese and processed milk products, a return based on established costs of production during the period of five years ending 30th June, 1952. The Joint Dairy Industry Advisory Committee, which has operated since 1947, makes an annual survey of costs of production and the guaranteed return to the farmer each year is fixed at an amount equivalent to the cost established by the Committee.

At present, returns to factories from dairy products sold on the domestic market are equalized throughout the Commonwealth under a voluntary arrangement within the industry and operated through the Commonwealth Dairy Produce Equalisation Committee Ltd. Returns to the factory are equalized on the basis of the wholesale price which, at present, is substantially below the return necessary to cover the guaranteed costs to the farmer plus factory costs. The difference, allowing for margins and costs of manufacture, necessary to bring payment to producers to the guaranteed return is paid by the Government as a subsidy through the Equalisation Committee Fund.

The present guaranteed return to the farmer is 32.44d./lb. at factory door, commercial butter basis and the rate of subsidy paid by the Commonwealth to ensure this return for the year ended 30th June, 1951 is approximately 13.5d/lb. commercial butter basis on butter and 6.5d/lb. commercial butter basis on other dairy products.

V. Ship building

For some time the ship building industry has been assisted by the Government meeting the approximate difference in cost between Australian and United Kingdom Ship building costs, provided that such assistance did not exceed 25% of the Australian cost.

The Commonwealth Government recently announced its intention to combine a measure of financial assistance to the ship building industry with import control over vessels of any origin. The final details of the new procedure for assistance have not yet been determined. The general objective of the measure is to ensure that all Australian ship owners use some proportion of Australian built vessels.

This scheme of assistance has been developed solely for the purpose of maintaining adequate ship building and ship repair facilities in Australia in accordance with overall defence requirements. Although combined financial assistance and import control will restrict imports of vessels it is not practicable to attempt any assessment of the effects of the scheme until final details have been approved and put into operation.

VI. Flax

In 1950 the Australian Government approved payment of a subsidy to the Flax weaving industry. The subsidy is payable on all fibre of Australian origin used by weavers at a rate of £A60 per ton for C Grade tank retted flax, necessary adjustments being made for other grades. This decision is based on a recommendation of the Australian Tariff Board following an investigation of the flax spinning and weaving industry.

Legislation approving payment of the subsidy has been approved by Parliament and contains a section limiting profits to ten per cent of capital employed in order to qualify for the subsidy. The Government has directed that the subsidy be reviewed at the end of twelve months and Parliament has limited the operation of the subsidy to a period not exceeding two years.

BELGIUM

Notification of July 29, 1950 with  
supplementary data supplied on  
March 28, 1951.

The report is presented in three parts. Part I discusses the legislation now in force concerning subsidies for certain farm products, Part II deals with the price support programme for certain industrial products and Part III with the system of State aid for Congolese timber exports.

I. Subsidies for certain farm products

Pursuant to the Regent's Decree of 17 May 1950, industries producing certain types of cheese, milk powders and milk concentrates made with Belgian milk are granted temporary subsidies from 15 May to 30 September 1950.

Under a Ministerial Decree of 22 May 1950, the amounts of the subsidies were fixed as follows:

	superfine quality per kg.	1st quality per kg.	2nd quality per kg.
Hard cheeses - 45% <sup>(1)</sup>	12 F. <sup>(2)</sup>	11 F.	9 F.
" " - 40% <sup>(1)</sup>	10 F.	9 F.	7 F.
Matured Herve	6 F.	5 F.	3 F.
Whole milk powders	7.5 F.	6.5 F.	4.5 F.

(1) Minimum percentage of fats

(2) F. = Belgian francs.

Skim milk powders:	4 F. per kg. for a quota of 3,000 tons
Condensed whole milk concentrates:	2.5 F. per kg.
Evaporated whole milk concentrates:	2.25 F. " "

The period during which subsidies may be granted with respect to certain products has been extended until 31 December 1950. By the Royal Decree of 15 December 1950 amending the Regent's Decree of 17 May 1950, the period for the granting of subsidies for certain products has been extended until 31 December 1950. The Ministerial Decree of 16 December 1950 fixed the categories of dairy products the production of which may be the object of subsidization between 15 May and 31 December 1950, and the amount of such subsidies, as follows:

Hard cheeses 45% ✓

(a) Superior quality	Fr. 12.-	per kg.
(b) First "	" 11.-	" "
(c) Second "	" 9.-	" "

Hard cheeses 40% ✓

(a) Superior quality	Fr. 10.-	per kg.
(b) First "	" 9.-	" "
(c) Second "	" 7.-	" "

Skim milk powder

Fr. 4.-	" "
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The aim of the subsidies is not to promote exports of the subsidized products, but to facilitate the utilization of excess milk supplies during the summer peak over-production period. Since these supplies cannot be consumed, they must be processed, and this can only be done by reducing the prices of home-manufactured products to the level of import prices by means of subsidies.

As regards the effect of these measures on total imports, it would be premature to attempt any estimate. Although Belgium will continue to import the products in question, despite the granting of subsidies, her imports might, in theory, be reduced by an amount equal to the additional quantities produced as a result of these subsidies.

In practice, however, account must also be taken of possible changes in consumption. In the case of cheese, for example, the introduction of the subsidy has been accompanied by the abolition of an import duty, and the selling price of cheese has dropped appreciably on the home market. Since this reduction in price is calculated to increase consumption, it is not unlikely that the effect of the subsidies on total imports will be mitigated, or even entirely offset, by an increase in consumption.

II. Subsidies for certain industrial products

Legislation now in force provides for a subsidy for the coal and gas industries. The subsidies granted are not, however, intended to increase exports or to reduce imports of the products of those industries, but merely to compensate for the loss sustained by the producers as a result of governmental price policy in these fields.

It should be pointed out that the coal industry was one of the Government's main concerns after the Liberation.

Coal production stood at less than 50% of its pre-war level since the mining industry was suffering from a complete lack of modernization and, in particular, an acute shortage of skilled labour. Production had to be raised at all costs in order to enable the various industries to function and the country to recover.

The employment of prisoners of war, their later replacement by foreign labour and active propaganda on behalf of the mines and the miners resulted in a rapid increase of the volume of production; but this was achieved at the expense of efficiency and, therefore, of production costs. The consequent increase in selling prices was bound to entail a general rise in prices and the cost of living.

It was for these reasons that the authorities fixed the selling price of coal at a level that was tolerable for the consumer industries, balancing this by a system of subsidies and compensation designed to allow the collieries as a whole to continue production without loss.

The methods of putting this policy into effect have varied from time to time. At present, no subsidies remain except those for certain mines with high production costs. For instance, collieries with a loss of more than 10 francs per ton during the period under consideration are paid a subsidy equal to the loss per ton less 10 francs. The ceiling for this subsidy is fixed at 165 francs and reduced by 5% every month as from 1 October 1949 so as to reach zero after 20 months.

The policy of subsidising the collieries is justified by the fact that it has no other raison d'être than a production cost which is too high, and the need, from a strictly domestic viewpoint, of maintaining a selling price that is tolerable for Belgian industry.

It is no exaggeration to say that the system has had no influence on the volume of exports or imports, since the current price level remains very considerably higher than that in other coal producing countries and since in order to export, Belgian producers must accept substantial reductions in their prices.

With regard to gas, the purpose of the subsidy is to compensate the loss suffered by producers on the sale of a specific quantity of gas at a low price, and to avoid the unfavourable effect of the increase in coal prices on the cost of living for low income families.

### III. Subsidies on certain Congo woods

Order No. 52/348 of 19 November 1949 established an export bounty on second and third class sawn woods. This bounty came into operation on 1 September 1949 and amounts to 400 francs per cubic metre of sawn wood exported outside the countries adjacent to the Belgian Congo.

Wood produced in the form of railway sleepers is classed as sawn wood.

To qualify for the bounty, timber must:

1. Conform to certain provisions on timber exports (Order No. 41/131 of 14 April 1948, supplemented by Order No. 41/132 of 29 May 1948);

- a. be dried by heat treatment;<sup>(1)</sup>
- b. be chemically treated for protection against xylophagous insects, rot and fungi;<sup>(1)</sup>

This measure was taken for the following reasons:

- a. to encourage timber producers to make the maximum use of logs unexportable as a result of faults in felling; splits, cup-shake, halo, etc.
- b. to encourage the installation of drying plants and the chemical treatment of woods easily, and often quickly, attacked by insects;
- c. to increase the volume of exports of woods that are not generally exported or are unexportable as a result of damage by insects and thus to encourage the rational exploitation of the Congo forests, which is too often limited to an unduly small range of species;
- d. to place on the market woods which are of a uniform saleable quality and which do not deteriorate in storage.

Amount of the Subsidy: For the third quarter of 1949 a sum of 1,200,000 francs was allocated in the ordinary budget. For 1950, a sum of 12,000,000 francs has been appropriated in the ordinary budget.

If the measures adopted should fail to attain their objectives, these subsidies could only be of a temporary character. In that case, the Government of the Belgian Congo could either reduce the subsidy, or abolish it when it deemed it advisable.

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(1) Woods produced in the form of railway sleepers need not be given the treatment described in sub-paragraphs 2 and 3 if they are hard woods considered immune from attack by xylophagous insects.

C A N A D A

Notification of September 13, 1950.

Calendar Year 1949 or Fiscal Year 1949-50  
Where Indicated

Federal subsidies including any form of income or price support which might be considered under the purview of Article XVI are discussed under two main headings:

- I Agricultural products
- II Mineral products.

Notification of each subsidy in each group is given under the following sub-headings:- Legal authority for the subsidy; Circumstances; Extent and nature; Cost and Effect.

I SUBSIDIES GRANTED OR MAINTAINED ON AGRICULTURAL PRODUCTS

1. GRAIN AND GRAIN PRODUCTS: Western Grains, Whole or Ground, Wheat Bran, Wheat Shorts, Wheat Middlings, Wheat Screenings and Millfeeds

Authorization - P.C. 7523, 25 September 1941, P.C. 5434, 17 November 1949, with respect to freight assistance.

Circumstances - This was a wartime measure designed to utilize surplus feed grains and to assist Eastern farmers in obtaining the necessary Western feed grains and millfeeds at prices which would permit them to maintain livestock production.

Extent and Nature - The subsidy which covers practically all freight charges is paid on Western grains and millfeeds moved in carload lots from Fort William-Port Arthur to points in Eastern Canada and from points in Western Canada to British Columbia. The subsidy is not paid on grains and feeds which are exported. Wholesale receivers are reimbursed the amount of the freight when proof of usage is submitted.

Cost - The rate of freight assistance per ton varies from \$3.00 to \$20.00 depending on the length of the freight haul. The total cost of feed freight assistance in the calendar year 1949 amounted to \$16,254,000. The cost from January 1 to May 31, 1950, amounted to \$3,813,000.

Effect - This program has probably had three effects. The most important is that it has reduced imports of feeds by encouraging Canadian consumption. It also has decreased Western Canadian exports of feeds. Finally it may have caused an increase in Canadian exports of pork and pork products through the lowering of production costs.

## 2. LIVESTOCK AND LIVESTOCK PRODUCTS

### Hog Premiums

Authorization - P.C. 62, 10 January 1944, amended April 1946.

Circumstances - This payment was designed to improve the quality of Canadian bacon and to encourage the channelling of such hogs through inspected plants.

Extent and Nature - Payment of the quality premium is confined to producers who deliver their hogs for slaughter at inspected plants or approved establishments throughout Canada. The farmer receives with his settlement statement a hog premium warrant which is negotiable at par at any chartered bank. The Government then reimburses the bank. In 1949 a premium of \$2.00 per head was paid on "A" grade carcasses and \$1.00 per head on "B-1" grade. The same premium rates apply in 1950.

Cost - In the calendar year 1949 hog premium payments cost the government \$4,696,000. In 1950, up to April 30, the government paid out \$463,000 in hog premiums. The total number of hogs on farms in Canada at June 1, 1949 was estimated at 5,163,000, valued at \$178,362,000.

Effect - Although the quality premium has not brought about a marked increase in top quality hogs marketed in Canada, it is considered to have maintained the proportion of the top grade hogs in the face of rising feed costs. Although Canadian production and exports of pork and pork products have declined in recent years, this subsidy has facilitated production and exports of top grades of these products.

### Subsidy in connection with Canada - United Kingdom Bacon Export Agreement of 1950

Authorization: Agricultural Products Act, 1947; P.C. 323, January 20, 1950.

Circumstances - Because of the changed conditions of the market and the more intense exchange difficulties abroad, the 1950 Export Agreement on bacon with the United Kingdom called for a much smaller quantity at a considerably lower price (60 m. lbs. at 29¢ per lb. in 1950 as compared with 160 m. lbs. at 36¢ per lb. 1949.) In order to prevent this sharp downward adjustment in the quantity and price of the export agreement from demoralizing the Canadian hog market, and bringing about a serious reduction in the income of hog producers, the government took steps to stabilize the market. This was accomplished through the Meat Board offering to buy all deliveries of the proper grade of bacon at 32.5¢ per lb. which was 3.5¢ above the contract price for export, but 3.5¢ below the 1949 contract price.

Extent and Nature - Since the contract price is 29¢ per lb. and the price which the Meat Board will pay for the same grade is 32.5¢, the government is in fact paying an export subsidy on shipments to the United Kingdom of 3.5¢ per lb. So far sales to the Meat Board are considerably below the contract requirement so that the price support operation has not resulted in any accumulation of bacon stocks.

Cost - During the first six months of 1950, Canadian Government expenditure in connection with this subsidy amounted to about \$0.5 million. The total value of marketings of hogs during this same period is estimated at about \$150 million.

Effect - The subsidy has tended to maintain Canadian production and exports to the United Kingdom at a higher level than they would otherwise be.

#### Silver Fox Pelts (Including Platinum and White Marked)

Authorization - The Agricultural Products Co-operative Marketing Act, 1939.

Circumstances - Producers frequently find themselves in a tight credit position early in the season and for this reason are compelled to unload large quantities of pelts on the market. The guaranteed advance payment provides needed financial assistance at this time and facilitates orderly marketing.

Extent and Nature - Agreements are made by the Minister of Agriculture with fox pelt marketing associations who agree to market the product under a co-operative plan. The operation involves no loss to the government unless the selling price is less than the initial advance.

Cost - Initial payments under the 1949-1950 agreements represent approximately 50 per cent of the past three year average wholesale prices. The actual average guarantee per pelt is approximately 40 per cent below the average initial payment of the 1948-1949 season.

Effect - Although there has been a steady decline in production of ranch raised foxes and exports of fox pelts since 1939, this subsidy has probably had the effect of maintaining exports at levels higher than would otherwise have prevailed.

### 3. DAIRY PRODUCTS

#### Cheese Quality Premiums

Authorization - Cheese and Cheese Factory Improvement Act, 1939, as amended.

Circumstances - The purpose of the subsidy is to improve the quality of cheddar cheese.

Extent and Nature - The subsidy is paid to cheese factories by the Federal Department of Agriculture on high quality cheese graded at government grading stations. The cheese factories distribute it to their milk suppliers. The amount of the subsidy is one per cent per pound on cheese scoring 93 points and two cents on cheese scoring 94 points or more.

Cost - The amount of the subsidy was \$910,000 in 1949, payable on 66,500,000 pounds, and \$108,000 for January 1 - May 31, 1950. Total production of cheddar cheese in 1949 was 113,787,000 pounds, valued at approximately \$34 million.

Effect - While production and exports of cheddar cheese have declined in recent years this subsidy has probably facilitated the production and exports of high quality cheese.

#### Cheese Price Support

Authorization - 1949 - Agricultural Prices Support Act, 1944, as amended, and P.C. 4325, August 24, 1949. 1950 - Agricultural Products Act, 1947, and P.C. 366, January 25, 1950.

Circumstances - The effect of the United Kingdom contract was to provide a floor price for cheese from 1940 to August 1, 1949 when the 1949 contract terminated. From August 24 to December 31, 1949 purchases were made by the Agricultural Prices Support Board in order to avoid a sharp decline in prices which would have resulted in hardship to the dairy industry. In 1950 a subsidy is being provided by the Federal Government to help absorb the shock of a sharp decline in the export price.

Extent and Nature - The 1949 United Kingdom contract called for the shipment of 50 million pounds of cheese at a price of 30¢ per pound, first grade, f.o.b. factory. The contract was filled by August and the Agricultural Prices Support Board undertook to buy cheese produced on or after August 1, 1949 at the contract price.

A new cheese contract was negotiated in 1950, calling for the shipment of 70 to 84.7 million pounds of cheese at a price of 25¢ per pound, first grade, f.a.s. Canadian Seaboard. The Dairy Products Board was authorized to buy the cheese necessary to fill the contract at 28¢ per pound, first grade, f.a.s. Canadian Seaboard, the 3¢ difference between this price and the contract price is paid from funds provided by the Canadian government.

Cost - At May 31, 1950 the book value of cheese held by the Agricultural Prices Support Board was \$5,347,000 and the quantity 16.7 million pounds. It is expected that most of this amount will be sold and the expenditure recovered.

From January 1-May 31, 1950 the cost of the 3¢ subsidy on cheese purchased by the Dairy Products Board for the United Kingdom contract was \$20,000.

Effect - While the volume of exports has not increased the subsidy has a direct effect in maintaining production and exports of cheddar cheese to the United Kingdom.

#### Butter Price Support

Authorization - Agricultural Prices Support Act, 1944, as amended; P.C. 1573, April 14, 1949, P.C. 1609, March 28, 1950 and P.C. 2126, April 25, 1950.

Circumstances - The production of butter in Canada is usually about sufficient to meet domestic needs. Small surpluses or deficiencies occur from time to time. In light of the wide fluctuation in the output of butter during the 1947-48 season, and the uncertainty respecting butter marketing in the

1948-49 season, the trade was unwilling to undertake the usual storage operations. In order to avoid extreme price fluctuations the Government on April 1, 1949 established a floor price for butter under the Agricultural Prices Support Act.

Extent and Nature - From April 1, 1949 to April 30, 1950, the support price for first grade butter was 58¢ per pound basis delivery Montreal and Toronto. From May 1, 1950 to April 30, 1951 the support prices will be 53¢ per pound basis delivery Montreal and Toronto.

Cost - The inventory at book value for butter held by the Board at May 31, 1950 was \$11,334,000 and the quantity 19.1 million pounds. It is expected that most of the amount outstanding will be recovered. Production of creamery butter in 1949 in Canada amounted to 278,657,000 pounds, valued at approximately \$153,261,000.

Effect - Exports of butter, all by private trade, in 1949 amounted to 1,069,000 pounds. Exports in the year 1950 up to April 30 amounted to 641,000 pounds, almost all of which was sold from government held stocks. The export prices of this quantity of butter was about 10¢ below the domestic selling price.

#### Dry Skimmed Milk Price Support

Authorization - Agricultural Prices Support Act, 1944, as amended and P.C. 2250, May 27, 1949.

Circumstances - There was a considerable accumulation of this product in 1949 due largely to import restrictions imposed abroad despite diversion of manufacture of dry skimmed milk and butter to cheese and other products. Price support operations were undertaken to prevent a sharp price decline.

Extent and Nature - The Board was authorized to buy first grade dry skimmed milk to a maximum expenditure of \$1 million at 9.5¢ per pound for the roller processed product and 10.75¢ per pound for the spray processed products, f.o.b. country points.

Cost - The actual amount purchased was 10,380,641 pounds valued at \$994,746. The entire quantity was donated by the government to the International Emergency Children's Fund.

Effect - The disposal of the government-held stocks was through non-commercial channels. The product is not now under price support.

#### 4. APPLES

Authorization - Agricultural Prices Support Act, 1949 as amended. P.C. 4712, 13 September, 1949. P.C. 1780 and P.C. 1781, 12 April, 1950.

Circumstances - Due to the loss of overseas markets, resulting from currency difficulties abroad, it was considered desirable to assist Canadian apple growers in finding an export outlet for fresh apples and to supplement returns received by growers.

Extent and Nature → Direct assistance in the form of an export subsidy applied to about 2 million bushels out of a total crop of 17.5 million bushels. The total cost of these 2 million bushels amounted to \$3 million which was shared equally by the British and Canadian governments.

Cost → In addition to the cost of \$1.5 million, grants to growers amounted to \$2.5 million making a total cost to the government of \$4 million for the 1949 crop of apples. The value of the 1949 Canadian apple crop is estimated at \$20.3 million.

Effect → The program had the direct effect of moving these apples to the United Kingdom market.

## 5. HONEY

Authorization → Agricultural Prices Support Act, 1944, P.C. 1789, 7 April 1949.

Circumstances → The purpose of the measure was to prevent a sharp decline in prices which would have occurred because of a surplus of honey arising from a large crop in 1948 and the reduction in overseas export outlets.

Extent and Nature → The government announced April 9, 1949 that it would purchase up to July 31, 1949 five million pounds of honey produced in 1948. Purchases were confined to bulk containers in car lot quantities at a price of 14 cents a pound basis White No. 1 grade.

Cost → Total purchases by the Government amounted to 3,002,346 pounds at an outlay to the Treasury of \$369,252. Export sales from January 1 to June 30, 1950 amounted to 102,000 pounds on which the government recovered \$8,731. Total production of honey in Canada in 1948 amounted to 45 million pounds with a farm value estimated at \$9.3 million. The 1949 crop of honey which fell to 33.2 million pounds, valued at \$5.2 million, is not under price support and due to the short crop it is expected that Board holdings of white honey will be disposed of in the domestic market, without loss.

Effect → A subsidy is involved in export sales which have returned 3 to 4 cents a pound less than the purchase price. Exports which varied between 5 and 10 million pounds before the war dropped to 29,000 pounds in 1949.

## II. SUBSIDIES GRANTED OR MAINTAINED ON MINERAL PRODUCTS

### 1. COAL FREIGHT SUBVENTIONS

Authorization → Dominion Coal Board Act, 1947, P.C. 5896 dated 23 December 1948.

Circumstances → This form of assistance, which has been maintained in varying degrees during the last twenty-three years, has arisen from the geographical position of the Canadian coal fields in relation to the major Canadian coal markets. The aid was designed to assist the movement of Canadian coal to some portions of central Canada by equalizing the laid-down costs of Canadian coal with United States coal.

Extent and Nature - There is a wide variety in the subventions designed to assist Canadian coal movements. With only one exception they are all designed to place Nova Scotia, New Brunswick, Saskatchewan, Alberta and British Columbia coal on the markets of Ontario and Quebec in competition with imported coal. The one exception is the subvention on Alberta and British Columbia coal moved to Manitoba for railway use only.

Cost - The total cost of these subventions in the calendar year 1949 amounted to \$3,401,852 and the total coal moved under subvention amounted to 2.4 million tons. In 1949 the total Canadian production of coal amounted to 19 million tons.

Effect - It is likely that in the absence of the subvention very little of the coal produced in the Maritime Provinces or Western Canada would have moved to Central Canada. Hence it appears that the subvention reduced Canadian demand for imported coal by around 2 million tons in 1949.

## 2. COAL EXPORT SUBSIDY

Authorization - Dominion Coal Board Act and P.C. 1094 dated 15 March 1949.

Circumstances - This subsidy was provided to assist the coal producers of British Columbia and Alberta to find markets elsewhere than in Canada, since they are located so far from the major markets of central Canada. It provides a subsidy on coal exported to all countries other than the United States or its territorial possessions or used as fuel for ships' stores.

Extent and Nature - This subsidy provides a payment of up to \$1.00 per ton on Alberta and British Columbia coal exported from Canadian seaports.

Cost - In 1949 the export of 36,170 tons of coal was subsidized in this way at a cost of \$29,893. In the same period total Canadian production of coal amounted to 19 million tons.

Effect - In 1949 total Canadian exports of coal amounted to 432,000 tons. It is not possible to estimate with any precision the effect of the subsidy on exports. Since the amount of the subsidy paid is quite small in relation to the price it is likely that most, if not all, of the quantity exported would have moved without the subsidy.

## 3. COKE BOUNTY

Authorization - Coke Bounty Act, 1930 (See para. 2 under Legislation Part III.)

Circumstances - This subsidy provides that any iron and steel producer not entitled to a draw-back on imported coal may be granted a subsidy on the coal of Canadian origin which he converts into coke. It was designed to assist those iron and steel producers who, because of their geographical position, are not able to utilize lower priced imported coal for coking. It thus reduces the cost differentials between various Canadian primary steel producers.

Extent and Nature - This subsidy amounts to 49.5 cents per ton of Canadian coal used by primary iron and steel producers for converting into coke.

Cost - In 1949 the subsidy was paid on 740,288 tons of coal at a cost of \$366,443.

Effect - This subsidy has little effect on Canadian foreign trade. Those companies receiving the subsidy would not be able to use imported coal for coking purposes because of geographical location. It is possible that the subsidy, by lowering costs increases Canadian exports of primary iron and steel. However these exports amounted in 1949 to only 250,000 tons whereas total production amounted to 3.2 million tons.

#### 4. STEEL FREIGHT SUBVENTION

Authorization - Appropriation Act, No. 7, 1949 and P.C. 2105 dated 29 May 1947.

Circumstances - This subsidy which is designed to maintain capacity production in the Canadian iron and steel industry arose because of the unequal distribution of primary capacity and finishing capacity. The subsidy facilitates the movement of primary steel (ingots, billets, blooms and slabs) from those mills unable to process it to other mills where there is excess finishing capacity.

Extent and Nature - Total freight charges on the movement of primary steel to finishing mills are paid under this subvention.

Cost - The payments under this subsidy in the year ending 31 March 1950 amounted to \$1,804,440.

Effect - It is estimated that through this subsidy an additional 200,000 tons of domestic finished steel are made available annually. This compares with a total Canadian production of 3.2 million tons and imports of 1.2 million tons. It is possible that in the absence of this subvention, all of the steel movements involved would not have taken place. Hence the subvention probably reduces Canadian demand for imported steel by a small amount. It may also result indirectly in a small increase of exports.

#### 5. STEEP ROCK IRON MINES ORE FREIGHT SUBSIDY

Authorization - P.C. 8423 dated 18 September 1942 and continued by annual appropriation acts.

Circumstances - In order to guarantee domestic supplies and to stimulate iron ore production when wartime demand was very great, it was decided to assist the shipment of ore produced by development of a new ore body located at Steep Rock near Atikokan, Ontario.

Nature and Extent - In consideration of the setting of a special reduced rate by the C.N.R. on ore moving from Steep Rock to Port Arthur, Ontario, the Government agreed to pay 20¢ per gross ton on the first 5,000,000 gross tons

of ore handled. Shipments to the end of the 1949 shipping season totalled 4,354,673.98 gross tons. The balance is expected to be shipped during the 1950 season and it is not the intention of the government to renew or extend the subsidy.

Cost - Subsidy payments in 1949-50 totalled \$226,419.33 and \$129,066.00 has been appropriated to cover cost of concluding the arrangements in 1950-51.

Effect - The subsidy no doubt was of substantial encouragement in expediting development of the Steep Rock orebody and bringing it to the production stage. Its exact effect, however, cannot well be estimated as it seems most probable that an orebody of this size and richness would have warranted development in any case. The bulk of the ore produced has been exported to the United States.

C U B A

Notification of August 30, 1950.

A. LEGAL BASES

The existing subsidy to the textile industry at present in force in the Republic of Cuba was instituted by virtue of Presidential Decrees Nos. 1093 and 1005 of 1949, of which the former was subsequently amended by Presidential Decree No. 2461 of 1950. Under Decree No. 1093 of 1949 it became compulsory to affix to any material imported or domestically produced identification stamps of six centavos each on the basis of one stamp per peso or fraction thereof, depending on the value of the merchandise.

The general rule mentioned above applicable to all textile materials includes one exception relating to sacks imported or domestically produced for the sole purpose of containing national agricultural products.

B. METHOD OF ADMINISTRATION AND OF ALLOCATION

The monies levied by means of the identification stamps affixed to imported or domestically produced material as indicated above are paid through the Dirección General de Contabilidad and the Tesorería General de la República of the Ministry of Economic Affairs into a special fund called "FONDO TEXTIL DE ANTICIPOS REINTEGRABLES" (Textile Fund of Reimbursable Advances), the said monies being placed at the disposal of an independent equalisation body set up under the Ministry of Labour whose task it is to allocate them to the national textile industry in conformity with the rules laid down in Presidential Decree No. 1005 of 1949 which governs the operation of the so-called "FONDO TEXTIL DE ANTICIPOS REINTEGRABLES"; the Governing Body (Consejo de Administración) of the Fund is composed of Government representatives, domestic textile manufacturers, textile importers and labour representatives.

The Governing Body is empowered to examine and determine cases in which a subsidy has to be granted to textile manufacturers and to determine the amount of equitable economic assistance to be given, taking into account the cost of labour and the resulting reduction thereof which is necessary to achieve competitive prices on the national market for the commodity in question.

Another purpose of this subsidy is to enable manufacturers to reduce production costs through the elimination of unnecessary labour, the Fund in such a case granting the displaced workers reasonable benefits which, though they do not represent the total amount of their wages, enable them to maintain a decent standard of living until the economic situation of the industry enables them to be re-absorbed in their normal field of activities or to find employment in other branches of national production.

Finally, the subsidy also operates as a buffer economic measure in cases when, owing to the market being saturated, national textiles manufacturers have to reduce or to stop normal production during a reasonable period in order to dispose of accumulated stocks. In such cases, the workers concerned receive from the Fund adequate grants to maintain a purchasing power in accordance with their standard of living.

C. RESULTS HITHERTO ACHIEVED

Though the textile subsidy, operated as indicated above, has not solved all the problems which the national textile industry is meeting, it has nevertheless enabled this industry to overcome the serious economic crisis which affected it during the first half of the year 1949 and which resulted in the closing down of nearly all the manufactures and in their workers being subsequently displaced. At present, this measure promulgated by the Government of Cuba as an emergency measure under the General Agreement on Tariffs and Trade has enabled the textile industry to carry on in spite of the low level of tariff protection which it enjoys, in the hope that once it has obtained adequate tariff protection it can achieve its natural development on a more firm and final basis.

D E N M A R K

Notification of August 11, 1950 with  
supplementary data supplied on  
April 14, 1951.

Apart from the subsidization of the price of sugar for household purposes, the Danish Government do not maintain any subsidy covered by Article XVI.

Under the Danish sugar scheme which has been reported in detail pursuant to Article XVIII:12, the Minister of Commerce, Industry and Shipping is empowered to fix the sales price charged by the sugar factories per kilo for refined sugar. Since 1950, the price had been fixed at 41 øre per kilo, which in 1950 was below the cost of production. The price has been raised from April 1, 1951 to 60 øre per kilo. This price, however, applies only to sugar sold for household purposes. Industries using sugar for raw material pay an additional price. This additional price is fixed in consideration of the price of sugar on the world market.

The subsidy needed for the maintenance of the price of sugar for household purposes at the fixed level is paid to the sugar factories partly out of the Treasury and partly by using that part of the profits of the sugar factories including profits on exports of sugar, which is deposited in a special fund belonging to the Government. The household consumption of sugar in 1949 amounted to about 90,000 metric tons, and the subsidy paid out of the Treasury amounted to about 30 million kroner. As a result of a recent increase of sugar rations, the total household consumption in 1950 was estimated at about 105,000 metric tons which would involve a Government expenditure of about 27 million kroner. The change of sales price in 1951 will reduce the Government expenditure by about 19 million kroner per annum.

The purpose of this subsidization is exclusively to assure that the sugar consumption of the population can be bought at a low price. In the new Act on the Sugar Scheme the question of the maintenance of the arrangement has been left open.

At present Danish production costs for sugar are substantially below the world market price. Thus the subsidization should not have serious effects upon imports and exports of sugar.

In view of the information given above concerning the nature and aims of the scheme, the Danish Government finds it doubtful whether it is necessary to report the scheme under Article XVI of the GATT but it has nevertheless been considered most appropriate to make such a report.

F I N L A N D

Notification of July 31, 1950.

There is a law in Finland authorizing the Government to guarantee minimum prices for seeds of all sorts of grass. The purpose of this law is to secure a sufficient supply of domestic seeds. This is necessary because of the risk which always is connected with using seeds grown on more southern latitudes in a country like Finland where the climate is hard. Already since the twenties a stipulation has been included in Finland's trade agreements giving her the right to forbid the import of such seeds of agricultural plants which, on account of their origin, are not deemed to thrive in Finland.

The number of sheep in Finland is small. In order to make safe the income of the people who raise sheep the Government pays a subsidy to the industry equal to the difference between the higher price of the domestic wool and the lower price of the wool imported from abroad. The industry is required to buy all domestic wool coming on the market. The aforementioned regulations are of no practical importance to the foreign trade as a whole.

Before the war Finland exported relatively large quantities of butter, cheese, eggs and meat. At present cheese is the only dairy product which is exported regularly. The cheese price is guaranteed but an exporter who secures a higher price for the cheese on the foreign market than the guaranteed price is under obligation to use the balance to his credit for reimbursing to the Government the subsidies he might have received on an earlier occasion from the Government when the price obtainable on foreign markets was lower than the guaranteed price.

As regards grain production Finland is not selfsufficient.

No subsidies are paid for manufactured products. On the contrary, there are fixed maximum prices for many of them.

F R A N C E

Statement of October 6, 1950.

Though the French Government is of the opinion that the subsidies it grants do not fall within the categories referred to in Article XVI, it wishes, however, to notify the Contracting Parties of the measures concerned that the Contracting Parties may be in a position to form an opinion in full cognizance of the case. Such is the object of the following note.

Besides subsidies granted on an individual basis and in occasional cases to agricultural producers whose crops have been destroyed by some calamity and subsidies granted, as is the case in most countries, with a view to stimulating technical progress and research in the agricultural and industrial domains, the French Government grants directly or indirectly effective assistance to producers only in a number of limited cases listed and described below.<sup>1)</sup>

Price guarantees apply to some products the procurement of which is deemed to be essential to meet internal needs, or the market in which was organized long before the war within the general framework of the economic policy of the country; with respect to other products which constitute generally an important if not unique source of prosperity for one particular region and which it has not appeared necessary to protect by means of customs duties, direct financial support, sometimes called "customs compensation bounty", is granted by the public authorities.

Those are the two forms of state assistance to French production which, for reasons explained further in this document, do not seem to fall within the category of subsidies mentioned in Article XVI of the General Agreement on Tariffs and Trade, but which the French Government, however, has deemed it necessary to bring to the attention of the Contracting Parties.

I. PRODUCTS FOR WHICH A PRICE GUARANTEE IS GIVEN BY THE STATEA. PRINCIPLE OF THE PRICE GUARANTEE

A decree authorizing this measure determines, with respect to stable commodities (wheat, beetroot and milk), the basis on which prices will be fixed for four crop years (standard yield, cost factors and taxes).

Every year a Departmental Order fixed the amount of the various cost factors.

Every year a Departmental Order fixes the price of the products concerned on the basis of cost and cost factors.

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1) The assistance granted with a view to lowering the price of some categories of imported coal should be mentioned separately and only ad memoriam as such assistance is being eliminated.

B. PRODUCTS TO WHICH THE GUARANTEED PRICE SYSTEM APPLIES

1. WHEAT

Authorization - Decree of 23 March 1947 guaranteeing the price of wheat for the years 1947/48 up to and including 1951/52.

2. BEETROOT

Authorization - Decree of 30 April 1956 subsequently amended by Decrees of 23 February 1948 and 1st December 1949.

3. ALCOHOL

Authorization - Article XXVI of the Law of 1st August 1924 laying down the principle of sugar and alcohol price equalisation.

4. CHICORY

Authorization and determination method - Every year a Departmental Order fixes the price of chicory; the determination method consists in applying a certain coefficient to the price of beetroot.

The market for the 4 above-mentioned products is organized by the State and therefore price guarantees are an essential factor supplementing the arrangement.

5. OIL SEEDS

Authorization - Decree of 25 July 1947.

Determination method - The price of oilseeds is determined on the basis of the price of colseed which depends on the price fixed for wheat by virtue of the relevant decree promulgated every year.

Effect - Specifications relating to use of oilseeds are added to price guarantees; the effect of these measures is to maintain in France a satisfactory level of production to satisfy the minimum needs of the metropolitan territory.

6. MILK

Authorization - Decrees of 23 February and 27 September 1948 and of 10 September 1949.

Determination method - Under the above-mentioned legislation the price for milk is determined on the basis of the geographical location of producers.

Effect - The effect of this measure is to standardize conditions on the national market and more specifically to keep price differences, as between various production areas, within reasonable limits.

II. PRODUCTS FOR WHICH DIRECT FINANCIAL ASSISTANCE IS GRANTED BY THE PUBLIC AUTHORITIES

Authorization - Law of 15 September 1943 instituting a Textile Fund.

Circumstances - The resources of the Fund make it possible to further the production of a number of commodities (flax, silk and hemp) for which this form of subsidy is granted. As regards flax and hemp, the subsidy was instituted with a view to furthering the use of national textile fibres which constitute an important source of prosperity for the producing areas.

As regards silk, the subsidy solely aims at insuring the maintenance of this production which could not be carried on without protection and which is highly essential for a region otherwise very poor.

Effect - The above-mentioned subsidies are not likely to operate to reduce imports substantially as the national production of these commodities is very limited. The consequences on exports also appear to be negligible.

I N D I A

Notification of August 28, 1950.

The following paragraphs describe the measures now operating in India which, broadly speaking, may come under the purview of Article XVI.

Strictly speaking, subsidies are being granted by the Government of India only on two indigenous industrial products -- Soda Ash and Aluminium. Both these subsidies were granted on the recommendation of the Indian Tariff Board with a view to protecting the Indian industries from extreme foreign competition. When the industries applied for protection, the Indian Tariff Board, after thorough enquiry, came to the conclusion that the import duty that would have to be imposed to protect the industries effectively would entail a heavy burden on the particular consumers. The Board, therefore, recommended a combination of protective duty and subsidy to enable the industry to face competition from imports of cheaper foreign products. The two succeeding paragraphs explain the schemes of subsidy as they are operating in respect of these two industries.

Soda Ash: A subsidy of Re. 1/- per cwt. is payable on soda ash sold from 22nd February, 1950, onwards, provided the Government are satisfied that the companies actually sell soda ash at or below the fair-selling price estimated by the Tariff Board which is Rs. 16.83 per cwt. The installed capacity of the producers is 54,000 tons per annum as against an estimated demand of 1,20,000 tons per annum. The present annual production of soda ash in India is estimated at 48,000 tons. The difference between demand and indigenous production is met by imports. The subsidy is expected to be paid for three years in the first instance.

Aluminium: There are only two Aluminium producing concerns in India and subsidies on aluminium produced by them are being granted at the following rates --

<u>Year</u>	<u>Rates of subsidy in rupees per ton</u>	
	<u>Indian Aluminium Company</u>	<u>Aluminium Corporation</u>
1949-50	330 (on sheets and circles)	(719 (on sheets and circles) (900 (on ingots)
1950-51	230 (on sheets and circles)	(610 (on sheets and circles) (825 (on ingots)
1951-52	130 (on sheets and circles)	(510 (on sheets and circles) (750 (on ingots)

The subsidy represents the difference between the fair selling price of the products of the two manufacturers, having regard to their respective costs of production and the fair selling price of similar imported articles. In this

case also the concession is to be allowed for three years in the first instance and the subsidy would be largely met from the additional revenue expected to be realised by the enhanced duties imposed on aluminium ingots, sheets and circles over and above the import duty of 30% ad valorem. The scheme started operating on 15th May, 1949. The gradual decrease indicated in the rates of subsidy mentioned in the table above is due to the anticipation that with increasing efficiency and volume of production the cost of production will gradually tend to decrease.

With a view to raising the production of major foodgrains, jute, cotton and sugar to the level of internal requirements, the Government of India are giving financial assistance either directly or indirectly to the State Governments or other parties to enable them to carry out plans of increased production, and to provide them with an incentive for the purpose. Such assistance is necessary because the State Governments or other parties concerned cannot meet the full expenditure on measures necessary for increasing the production from their own resources. The aim of the measures being taken is to make India less dependent on imports for her foodgrains, cotton and jute so that the heavy strain which the very large imports of these commodities put on her foreign exchange resources may be avoided. Food subsidies or bonuses on procurement are given for the specific purposes of protecting the consumer from high prices and encouraging internal procurement. These special measures of assistance are not, therefore, of the category of discriminatory help to internal agriculture or industry.

I T A L Y

Statement of October 13, 1950.

No export bounty or subsidy is granted in Italy. Customs duties represent the only form of protection granted to industrial or agricultural production.

The quantitative restrictions that Italy had to impose to safeguard her balance of payments are being eliminated within the general framework of trade liberalization measures (Ministerial Decree of 15 July 1950).

Further independent measures have been adopted as regards imports from the sterling area (Foreign Trade Ministry Circular of 31 August 1950).

Italy does not apply any price support measures. The task of the Inter-departmental Price Committee instituted under Law No. 347 of 19 October 1944 is rather to fix price limits for some raw materials and staple food or industrial products in great demand among consumers.

The only two industries to which state subsidies are granted are the coal industry in Sardinia and the sulphur industry in Sicily.

The above-mentioned subsidies are based on the need for giving work to part of the labour force available in Sardinia and Sicily - that is, in two regions where demographic pressure is particularly acute in relation to economic development.

The aim of these subsidies is therefore of a social rather than of an economic nature, and these measures will remain in force until such time as the technical reorganisation of these industries makes it possible to reduce the cost of production to international level.

As regards the effects of export and import subsidies, it will suffice to note that:

- (a) the quantity of coal produced in Italy is very small as compared with internal consumption, and furthermore that Sulcis coal is suitable for a limited number of uses only;
- (b) sulphur has never been imported into Italy, as the level of national production has always been adequate to meet internal demand and has even allowed the export of surpluses.

This picture would not be complete if no mention were made of state intervention with respect to the regulation of the wheat and beetroot markets. Such measures are directed towards ensuring the maintenance, on a remunerative basis, of the production of these two commodities, which are essential to the Italian agricultural economy, while aiming at allowing bread and sugar prices to be fixed at the lowest possible level.

Though the measures concerned may have some consequences on imports, they are justified by the need for safeguarding the vital interests of the country, whereas economic protection is achieved by means of customs duties.

NETHERLANDS

Statement of September 7, 1950.

The Netherlands, the overseas parts of the Realm included, do not at present grant or maintain any subsidy which, in the terms of Article XVI, operates directly either to increase exports or to reduce imports.

A. METROPOLITAN TERRITORY

In the metropolitan territory, however, certain subsidies are granted of which the indirect export-increasing effect cannot be denied theoretically, though in practice that effect is so small that the following survey of these subsidies is given for the sake of completeness only.

Subsidies on consumers' goods

In pursuance of the Government's wage and price policy subsidies are paid on certain foodstuffs of which the cost of production (or purchase price, in the case of imported goods) is too high to be fully met by the price the average consumer can afford to pay.

The total sum of these subsidies is estimated for 1950 at 242 million guilders. This sum amounts to about  $1\frac{1}{2}$  per cent of the national income so that its export increasing effect, if any, is very small.

The table below shows the subsidies granted for the main articles:

Brown bread	800 gr.	4,9 cents
White bread	800 gr.	2,3 cents
Groats	1000 gr.	9,35 cents
Roiled oats	1000 gr.	8,9 cents
Sugar	1000 gr.	8,7 cents
Coffee	1000 gr.	400,- cents
Milk	litre	2,5 cents
Margarine	1000 gr.	30,0 cents
Cooking fat	1000 gr.	12,85 cents

These subsidies are paid out of a special fund (Landbouwegalisatiefonds -- Agricultural Equalization Fund). This Fund, however, has been established primarily for the purpose of price-equalization of agricultural products (see below).

Subsidies on fodder

The sum of 242 million guilders, mentioned above, comprises 49 million guilders for the subsidization of imported fodder cereals and albumen fodder. The price-reducing and, consequently, export-increasing-effect is, however, as far as possible offset by the levying of an export-duty on eggs and bacon, equivalent to the estimated amount of the subsidy incorporated therein.

Price equalization for agricultural products

The domestic prices for agricultural products are sometimes lower, sometimes higher than the prices which can be obtained in the export-trade. The extra profits which could be made in exporting the former are withheld and the amounts thus raised are used to subsidize the export of the latter.

All subsidies mentioned are based on the Agricultural Crisis Act 1933 (Landboucrisiswet) and the Food Order 1941 (Voedselvoorzieningsbesluit), under which the Minister of Agriculture, Fisheries and Food fixes the amounts to be paid.

Coal equalization fund

Since the end of the war the price for coal on the home market has been fixed at a level which lies above the price at which the domestic coal could be sold and below that of coal from foreign sources. The extra profit of the Netherlands mines is paid into a fund (Kolenegaliseringsfonds) out of which imported coal is subsidized. If the fund shows a deficit, because the amount of the subsidies paid on imported coal surpasses the extra profit paid into the fund by the Netherlands mines, this deficit is covered by a state-subsidy.

It is clear that this system neither hampers imports nor increases exports of coal. The fixing of the price of domestic coal below the world-market level operates on a negligible scale as an export subsidy on articles for the production of which coal is used.

(Domestic and imported coal not entering the home-market remain outside the scope of the fund.)

Peat

The production of peat is subsidized for social considerations, viz. in order to avoid unemployment in an unfertile part of this country. The subsidy, which is paid out of the budget of the Ministry of Social Affairs, amounts to no more than 250,000 guilders for 1950 and applies to peat for industrial purposes only, not to peat used as a household fuel. The subsidy is necessary because otherwise the industries now using peat would shift to the cheaper coal. Moreover peat hardly ever enters into international trade on account of its low value, which cannot bear the comparatively high cost of transport. The subsidy consequently can hardly be considered to come under the terms of Article XVI.

B. OVERSEAS PARTS OF THE REALM

In New Guinea, Surinam and the Netherlands Antilles no subsidies are granted of which the indirect effect is to increase exports or reduce imports.

The Surinam States, however, have now under consideration a bill to authorize the country-ministers of Economic Affairs and of Finance to grant export subsidies on goods, which they may designate under conditions provided for in the bill. The subsidy would not exceed one half of the loss suffered

by the devaluation in September 1949 of the currency of Surinam's customers.

It is the intention to subsidize one or two products only. As soon as the bill is passed, notice shall be given to the Contracting Parties.

S W E D E N

Notification of September 7, 1950 with  
supplementary data supplied on  
March 6, 1951.

The subsidies actually in force in Sweden may be divided in two groups:

1. Subsidies introduced in connection with the general price regulations of agricultural products.
2. Subsidies introduced before or in connection with the devaluation of the Swedish Crown (September 1949) in order to neutralize the effect on Sweden's domestic price level of price increases abroad.

In both cases the subsidies do not work as a stimulus for exports, nor are they so intended. Thus, to the extent where subsidies exist to reduce the foreign price on the Swedish market a special fee corresponding to the subsidy is charged when exporting the product in question.

On the other hand it is difficult to determine with sureness whether certain subsidies possibly may have an effect of hampering imports. In the agricultural field the Swedish prices are actually, even without subsidies, lower than abroad, wherefore in this case the subsidies can be said definitely not to have such influence on the import trade. As to other commodities the subsidies now in force will be suspended around the turn of the year or in early 1951.

After the turn of the year 1950/51 only a kind of clearing contributions are made in connection with the import of certain commodities as for example sugar and pork and bacon. As before, these subsidies are given only when the foreign prices are higher than the Swedish ones. A special fee, corresponding to the subsidy, is charged, when exporting products contain the commodities in question.

The agricultural subsidies have decreased substantially, and now amount to only 6 percent of the total agricultural revenue.

UNION OF SOUTH AFRICA

Notification of July 17, 1950.

A. STATE SUBSIDIES

1. Subsidies paid by the Government of the Union of South Africa must be voted by Parliament and all amounts involved are reflected in the annual Estimates of Expenditure.

(i) Direct export subsidies.

2. At present no direct export subsidies are paid by the State on any agricultural products. During the past few years there has been only one instance that could be regarded as falling within the category of export subsidies, viz. that in respect of edible oils in 1947/48 and 1948/49.

3. The dislocation of international trade during the war years resulted in a serious shortage of edible oils. For this reason, and also because of the beneficial effects of groundnuts on the soil, the Government of the Union of South Africa encouraged the cultivation of this crop, primarily by means of guaranteed prices to the producer. As a result, the production of groundnuts, as well as other oil-bearing seeds, particularly sunflower seed, was rapidly expanded and exceeded domestic requirements during the two seasons mentioned above. To enable the oil industry to take up the whole of the groundnut and sunflower-seed crops, the Government undertook to purchase, at fixed prices, any oil surplus to domestic requirements during the 1947/48 and 1948/49 seasons. Approximately 15,500 tons of oil were purchased at about £ 139 per ton and exported at about £117 per ton. During the same two seasons a subsidy was also paid on oilcake to keep down the price of feed mixtures. No subsidies are contemplated in respect of the 1949/50 oil-seed crops.

(ii) Subsidies on farming requisites.

4. Certain farming requisites, viz. bags and fertilizers, are subsidized by the Government, primarily to keep down costs, but in the case of fertilizers the object is also to encourage their use.

5. These subsidies probably have little or no effect, either direct or indirect, on the Union's foreign trade. South Africa is an importer of bags and fertilizers, particularly the former, so that the use and consequently the importation of these materials would, if anything, be stimulated by artificially lowering their domestic selling prices. On the other hand, with the exception of fruit and wool, hardly any of the products in the production and marketing of which fertilizers and bags are used, are normally exported. Moreover, for the major cereal crops prices are fixed, and the lower cost of bags and fertilizers is taken into consideration in determining these prices. The consumer thus derives the main benefit therefrom and production is not stimulated unduly as a result of these subsidies.

(iii) Subsidies on foodstuffs.

6. The Government also subsidizes certain foodstuffs, viz. wheat, mealies, butter and margarine, in order to keep down the cost of living .

7. The Union of South Africa is a signatory to the International Wheat Agreement and normally imports a very substantial proportion of its wheat requirements. Since the producers' prices for wheat in South Africa are still well below the landed cost of imported wheat, and as no restrictions are imposed on the use of wheat and wheaten products, the subsidy would, if anything, tend to enhance imports.

8. During the past eight or nine years mealies have been imported or exported only spasmodically, the Union of South Africa in most years barely producing sufficient for its own requirements. On such quantities of mealies or mealie products as are exported, at least the amount of the Government subsidy is recovered.

9. In respect of butter, the Union of South Africa at present produces barely sufficient for its own requirements and only negligible quantities have been supplied to neighbouring territories. Due to the continued world shortage of butter the Union of South Africa has in recent years also not imported supplies of this commodity.

10. The production of margarine in the Union is subject to quotas, and very little has been exported. Such exports as do occur, are not subsidized.

B. SUBSIDIES PAID BY MARKETING BOARDS

11. Apart from the above State subsidies, which are consumer subsidies in the main, instances of export subsidization by one or other of the Marketing Boards established under the Marketing Act (Act No 26 of 1937, as amended) have occurred in recent years, viz. in respect of tobacco and raisins and, to a very minor extent, in respect of potatoes and bacon and baconers.

(i) Tobacco.

12. The Union of South Africa is, on balance an importer of tobacco. During the war years serious shortages developed and the producers' prices fixed by the Tobacco Board were gradually raised to stimulate local production. Favourable prices, together with several exceptionally favourable seasons in succession, led to a substantial increase in production. As a result, there was an excessive accumulation of certain grades of Virginia tobacco, and the Tobacco Control Board, with the approval of the Minister of Agriculture, consequently decided to subsidize the export of these grades from its accumulated levy funds, which are derived from a levy on leaf tobacco. The quantities exported and the subsidies paid were as follows: -

	<u>Quantity (1,000 lb.)</u>	<u>Subsidy</u>
1945/46 . . . . .	259	£ 3,390
1946/47 . . . . .	301	£ 1,958
1947/48 . . . . .	59	£ 376
1948/49 . . . . .	1,595	£14,923
1949/50 (provisional)	1,500	?

Substantial quantities of tobacco, however, continue to be imported into the Union from the Rhodesias for blending with Union tobacco.

(ii) Raisins

13. In terms of the Wine and Spirits Control Amendment Act (No 23 of 1940) the Koöperatiewe Wynbrouers Vereniging van Zuid-Afrika, Bpk. (the Co-operative Winegrowers Association of South Africa, Ltd.) guarantees a minimum price for raisins equivalent to the distilling-wine price. Thus, partly as a result of the increase in wine and spirit prices during the war years and subsequently, the prices of raisins in the Union are relatively high. At the same time the Union produces a surplus of raisins over domestic requirements and this is exported at a loss by the Dried Fruit Board. To reimburse itself the Board loads its domestic selling prices. For the current season, this "loading" amounts to about one farthing per lb.

14. It should be pointed out, however, that the production of dried wine fruits has declined from a peak of 13,000 to 14,000 tons in 1942/44, to about 10,000 tons and less in recent years. As the domestic consumption increased substantially during the same period, exports have shown a substantial decline. With the exception of currants, moreover, the prices of raisins in the Union do not, on the whole, exceed the cost at which imported raisins could be landed here.

(iii) Bacon.

15. During 1949 the production of baconers increased to the point where local requirements were exceeded. Consequently, small quantities of bacon and frozen baconers were exported. On the whole no losses were incurred on these exports. For a limited period, however, the Director of Meat Supplies ( a statutory body) subsidized the railage on bacon for export from inland factories. The subsidy paid amounted to £178 on 117,000 lbs of bacon.

(iv) Potatoes.

16. Normally the Union produces more or less sufficient potatoes for its own requirements. Production varies greatly, however, and to stabilize prices to some extent the Potato Board periodically operates an open buying scheme. Potatoes purchased by the Board during periods of peak deliveries are either stored for sale during periods of scarcity or on occasion exported. In general no losses are incurred on such exports. On one occasion only, viz. in 1947, did the Board suffer a loss of about £24,000 on 95,000 bags of potatoes sold to the British Ministry of Food.

### C. PRICE STABILIZATION MEASURES

17. Apart from tobacco, dried fruit and potatoes, marketing boards have also been established for the following products:

1. Wheat, oats, barley and rye;
2. Mealies;
3. Butterfat, industrial milk, butter, cheese and condensed milk;
4. Slaughter stock (cattle, sheep and pigs);
5. Citrus fruit;
6. Deciduous fruit;
7. Chicory root.

With the exception of deciduous fruit and potatoes, fixed prices are determined for all these commodities, except, of course, for the portion exported.

18. A major aim of these boards is to achieve a measure of price stability for the products concerned. In pursuance of this object, the domestic prices for the products concerned have, in general, during the current inflationary period been maintained at levels lower, in varying degree, than those ruling in most countries abroad. This has been true particularly of mealies, oats, barley, citrus fruit and chicory. Dried fruit constitutes a notable exception, but conditions in this industry have been complicated by the high prices obtainable for fresh and preserved fruits and wine and spirits, particularly on overseas markets.

19. It is evident, therefore, that apart from the instances dealt with above, these price stabilization measures have not to any undue extent encouraged production of the products concerned and, therefore, could not have tended to stimulate exports or to reduce imports. On the other hand, it is also clear that the policy of price stabilization might, under altered circumstances, lead to a situation where the domestic prices of these products may in general be maintained at somewhat higher levels than those prevailing on overseas markets.

20. It should be borne in mind that agricultural production in the Union of South Africa, due to the extremely uncertain climatic conditions, is highly variable, and that periodic surpluses and shortages are consequently characteristic of a wide range of products. The occurrence of export surpluses in respect of a wider range of products than has been the case in recent years is probable, although it is possible that the rising trend in domestic consumption may, to a certain extent, counteract such a tendency.

### D. DIFFERENTIAL RAILWAY RATES

21. In South Africa, as in most other countries, railway rating policy is governed by three main considerations, namely, that :

- (a) certain classes of traffic can only afford to pay railway rates lower than the average cost per ton mile of conveyance by rail;
- (b) some classes of traffic can afford to pay railway rates considerably higher than the average cost per ton mile;
- (c) it is better for the South African Railway Administration to convey additional traffic at rates below the average cost per ton mile rather than lose such traffic by charging higher rates than the traffic can afford to pay.

(1) Nearest Port Rates

22. For the reasons mentioned in subparagraph (c) above a number of South African products, though chargeable at the normal scale of rates, are granted the following concession :

"In no instance is the rate charged between South African railway stations higher than the port rate, according to classification, from the port nearest to destination station, subject, however, to a minimum specified rate per ton per mile."

23. The essence of this principle is that if the distance from the South African point of production to the destination station is less than the distance from the nearest port, the South African product pays the ordinary tariff rates. If, however, the distance from the South African point of production is greater than that from the nearest port, then the rate applicable to the imported articles from the nearest port applies as a maximum on the South African article.

24. Under this provision inland producers are enabled to compete with the imported article in the coastal areas where the distance from the nearest port of importation is less than that from the inland point of production. Where the distance from the South African point of production to the destination station is less than from the nearest port, the South African product pays the ordinary tariff rates.

25. It may be argued that this method of rating constitutes an indirect subsidy. The basic principle in this rating is, however, merely that of securing to the South African Railways traffic at rates below normal rather than lose the traffic altogether. If this system of rating were withdrawn, it would mean that a considerable volume of traffic to the coastal areas would be lost to the Railway Administration since inland producers would no longer be able to market their products economically in this area.

26. It may also be contended that this rating arrangement has the effect of reducing the quantity of goods which would otherwise be imported. This may be the case, but as mentioned in the preceding paragraph, its application follows ordinary railway rating principles.

(ii) Preferential Rates

27. The policy of the South African Railways, in its capacity as a carrier of goods, is opposed to the granting of preferential rates since the Railway Administration considers that if protection is to be accorded to products of the Union it should be given by means other than railway rates. Nevertheless, a certain number of South African commodities do enjoy preferential tariffs, but most of these tariffs are of very long standing, having been in operation prior to the establishment of the Union of South Africa in 1910. Since Union, however, preferential rates have been removed from 170 articles and others may be removed as opportunity offers.

(iii) Export Rates

28. In accordance with the rating principle that it is more economical for the South African Railways to convey additional traffic at rates below the average than to lose such traffic altogether, reduced rates have been quoted in favour of a number of South African commodities when conveyed to a port for export overseas. If the normal tariffs were charged, most, if not all, of the commodities affected could not be economically exported with a resultant loss in traffic and revenue to the Railway Administration."

UNITED KINGDOM

Statement of August 31, 1950

INTRODUCTION

1. The main use of subsidies in the United Kingdom is for the purpose of stabilising at a relatively low level the prices to consumers of a number of basic foodstuffs, as part of the United Kingdom Government's policy - which is an integral part of its overall economic policy - of maintaining stability in the cost of living. The main commodities to which this applies are bacon, bread, flour, shell eggs, meat, milk, butter, cheese, margarine, cooking fats, potatoes, sugar and tea, and the subsidisation takes the form of trading losses incurred by the Government on the purchase and re-sale of domestically produced and imported foodstuffs in order to maintain the price stabilisation scheme. For the reasons given in paragraph 7, these subsidies, at any rate in the main and in present circumstances, do not fall within the scope of Article XVI of the General Agreement; nevertheless, it may be of interest to the Contracting Parties to give the description of these subsidies which is contained in paragraphs 3 to 7 below.

2. In addition, the United Kingdom Government grants direct subsidies or other financial assistance (a) to calf rearing, and to the keeping of sheep and cattle on hill farms and (b) for various forms of farm improvement (para.8). There are at present subsidies on flax growing (para.9), in connection with forestry (para.10), the production of herring oil and meal, the catching of white fish and certain provision of financial assistance to inshore and herring fishermen (paras. 11-13). In the industrial field, assistance is given to the watch and watch jewel industries (para.14); and there is also a voluntary scheme (para. 15) within the film industry for subsidising the domestic production of films out of increased box-office receipts arising from certain tax re-adjustments. Certain trading losses incurred by the Government in the operation of price control schemes relating to finished and semi-finished iron and steel and non-ferrous metals arise only in respect of imports, and are therefore outside the scope of Article XVI. His Majesty's Government does not grant or maintain any export subsidies; indeed, the classes of goods which it subsidises are ones of which the United Kingdom is a large net importer.

I. FOOD SUBSIDIES

3. As already indicated, the so-called "food subsidies" arise from the trading operations of the Ministry of Food. The detailed arrangements differ from product to product, but can be described in general terms as follows. The Ministry of Food or their agents purchase from domestic producers (at prices determined as indicated below) and from overseas suppliers, and re-sell to distributors at prices which enable re-sale to the consumer within the statutory maximum retail prices. As regards purchases from domestic producers, first-hand purchase prices, and measures to provide assured markets within certain limits for the main agricultural commodities, are guaranteed to farmers

in pursuance of the Agriculture Act 1947; these are determined annually in advance on the basis of an annual review of the general economic condition and prospects of the agricultural industry.

4. In order to enable the farmers to plan their production efficiently, firm prices for crops (wheat, barley, oats, rye, potatoes and sugar beet) are fixed 18 months ahead, while for fat stock (cattle, sheep and pigs) milk and eggs, firm prices are laid down 12 months ahead and "floor" levels below which future prices will not be reduced are laid down from 2 to 4 years ahead. These prices are fixed at levels calculated to secure a stable and efficient agriculture capable of producing such part of the nation's food as in the national interest it is desirable to produce in the United Kingdom, and of producing it at minimum prices consistently with proper remuneration and living conditions for farmers and workers in agriculture and an adequate return on capital invested. The payment of these guaranteed prices to domestic producers, and of the prices currently prevailing for imports, together with the maintenance of a stabilised and relatively low re-sale price to distributors, involves the Government in the case of a number of products in trading at a substantial loss. These trading losses are in effect subsidies of variable amount, both on domestic and imported products, operated by means of Government purchase.

5. Estimated trading losses during 1950-51 on those types of foodstuffs which are produced domestically are shown in the following table:

Commodity	Estimated Trading Losses during 1950-51			Unit	Estimated increases in average prices which would be required to eliminate these losses	
	Home Production	Imported	Total		Home Production	Imports
1.	2.	3.	4.	5.	6.	7.
Bacon	24.7	13.5	38.2	lb.	1 6 <sup>3</sup> / <sub>4</sub>	1 7 <sup>1</sup> / <sub>4</sub>
Bread	18.3	37.0	55.3	3 <sup>1</sup> / <sub>2</sub> loaf	5 <sup>1</sup> / <sub>4</sub>	5 1 <sup>1</sup> / <sub>4</sub>
Flour /	8.4	25.5	33.9	7 lb.	1 1	1 1
Shell Eggs	23.3	3.0	26.3	doz.	1 5 <sup>1</sup> / <sub>2</sub>	3 1 <sup>1</sup> / <sub>4</sub>
Meat	37.3	2.8	40.1	lb.	1 4	5
Butter	1.7	38.5	40.2	lb.	1 0 <sup>1</sup> / <sub>2</sub>	1 0 <sup>1</sup> / <sub>2</sub>
Cheese	3.8	15.1	18.9	lb.	9 <sup>1</sup> / <sub>4</sub>	9 <sup>1</sup> / <sub>2</sub>
Sugar	3.1	7.0	10.1	lb.	1 <sup>1</sup> / <sub>4</sub>	1 <sup>1</sup> / <sub>4</sub>
Milk	72.0	-	72.0	quart	2 <sup>3</sup> / <sub>4</sub>	-
Potatoes <sup>#</sup>	15.4	-	15.4	7 lb.	2	-
Total	208.0	142.4	350.4			

/ Other than flour for bread

# Includes acreage payments at the rate of £10 per acre.

In addition, trading losses are incurred in respect of tea and raw materials for margarine and cooking fats, which are wholly imported, and in respect of raw materials for the manufacture of fertilisers in order to maintain a fixed and relatively low maximum price for fertilisers used in agriculture. Taking account also of the cost of welfare schemes for free milk in schools and cheap milk and vitamin foods for infants and expectant mothers, of the "attested herds" scheme (under which quality premiums are paid for milk from dairy herds conforming to high veterinary standards), and of day-to-day profits and losses incurred by the Ministry of Food in trading in miscellaneous foodstuffs, the total estimated loss on government account in trading in foodstuffs and related raw materials for the financial year 1950-51 amounts to approximately £4.10 million.

6. It follows from the nature of these arrangements that it is not possible to separate in any precise way the element of subsidisation of producers which they contain from the element of subsidisation of consumption; this is particularly so because the products concerned are price-controlled and most of them (viz. bacon, eggs, meat, butter, cheese and sugar) are rationed. The figures in columns (6) and (7) of the above table might be taken as a measure, in a sense, of the "amount of subsidisation per unit"; but the fact that (for example) home-produced sugar is subsidised at an average rate of  $1\frac{1}{4}$  d. per lb. affords no basis for estimating whether or to what extent it would be necessary to subsidise it in order to maintain the volume of domestic production if rationing and price-control did not exist. Further, in those cases where the figure in column (6) exceeds that in column (7), the difference between these columns is not necessarily a measure of the difference in unit costs of production between domestic and overseas producers; in the cases, for example, of meat and of eggs, the domestic product, because of higher quality or greater freshness, would be likely to command a larger retail price premium over imported supplies than is permitted under the present control of prices.

7. It is impossible to assess with any precision the effect of these subsidy arrangements on the volume of imports of the products concerned. It seems clear, however, that the general effect of the system is not to decrease imports as compared with the volume which would be imported in the absence of the system, since:-

- (a) The food subsidies, by enabling the maintenance of a far lower level of prices to consumers than would otherwise prevail, cause the level of demand for foodstuffs to be considerably higher than it would otherwise be.
- (b) In order to meet the high level of demand for foodstuffs (even when restrained by rationing), within the limitations of the United Kingdom balance of payments position, it is necessary both to maintain a high volume of imports and to obtain a substantial increase in domestic agricultural output; and the object of the guaranteed price system is to produce this increase.

- (c) The volume of United Kingdom imports of subsidised foodstuffs from soft currency sources is limited not by import restrictions but by availabilities and/or prices, while the volume of imports from hard-currency sources is limited by severe restrictions necessary to safeguard the balance of payments. Thus any decrease in the subsidisation of a domestic product which resulted in a decrease in home production would result, not in any increase of imports (unless the Government were prepared to pay higher prices and in consequence higher subsidies in order to acquire additional imports from soft-currency sources), but simply in a decrease in the total available supply, necessitating more severe rationing.

These comments also apply to the arrangements described in para. 8.

## II. DIRECT SUBSIDIES AND OTHER FINANCIAL ASSISTANCE TO AGRICULTURE AND FISHERIES

### Agriculture

8. Apart from the "food subsidies", direct subsidies or other financial assistance are granted (a) to certain forms of agricultural production and (b) to assist the improvement of farms and agricultural land and the increased use of modern agricultural methods. Under head (a), the following subsidies are paid :

(i) Calf rearing subsidy

This subsidy, which is aimed at encouraging the rearing of calves for beef and milk production, takes the form of a payment to the farmer of a fixed rate for each calf on his farm which is certified suitable for beef production or for dairy herd replacement. The current rates of payment are £5 and £2 per head respectively for steer and heifer calves. The subsidy is to be discontinued, however, for heifers born after 30 September 1950 and for steers born after 30 September 1951.

(ii) Subsidy to hill sheep and hill cattle

The object of this subsidy is to encourage the maintenance (for breeding purposes and to maintain the productivity of hill grazing land) of sheep of certain breeds and of cattle in hill farming areas. The subsidy takes the form of an annual payment in respect of each animal eligible for subsidy; for the current year, the maximum rate of subsidy is 5/- per ewe and £4 per breeding cow or heifer.

Under head (b) may be mentioned Government refunds- as an encouragement to land improvement (in particular the improvement of grassland and the increase of tillage) and in view of the intended elimination in 1951 of the fertilizer subsidy mentioned in para. 5 - of a proportion of their expenditure on lime and on fertilizers applied to grassland and ploughed-up grasslands; grants of a proportion of farmers' expenditure on ditching and field draining, bracken

eradication, water supply installations, and improvements to hill farms and marginal land, and grants or loans towards the cost of grass-drying equipment; financial assistance (in view of the recent removal of subsidies on animal feedingstuffs) to smallholders largely dependent on purchased feedingstuffs; and financial assistance towards the cost of milk recording and artificial insemination of cattle.

9. Flax. During the war, when imports of flax were unavoidably curtailed, the United Kingdom Government and the Government of Northern Ireland took over responsibility for purchases and sales of flax and stimulated the expansion of domestic production by purchasing at prices sufficient to cover production and development costs. Control of the purchase and sale of flax has now been removed, but subsidisation is being continued for the time being on a limited scale. Under the present arrangements, which will be reviewed not later than the end of 1952, flax growers are subsidised to the extent necessary to allow specified quantities of flax (2,000 tons per annum in Great Britain, 4,000 tons and 2,000 tons of rescutched tow in Northern Ireland) to be sold to flax spinners at prices slightly above world prices for comparable grades.

10. Forestry. Financial assistance to encourage the expansion of private commercial forestry in the United Kingdom is given to owners of woodlands (of area not less than 2 acres) on the following basis:

- (a) Where the owner is prepared to dedicate his woodland permanently to forestry a grant of up to 25% of his operating losses until the woodland becomes self supporting or alternatively £12 per acre for planting plus an annual contribution of 4 shillings per acre towards the cost of maintenance over the first 15 years.
- (b) A grant of £12 per acre for planting woodlands not suitable for dedication, or
- (c) A grant of £8 per acre or alternatively 2 shillings per tree where not less than 200 trees are planted in avenues for planting on land devoted exclusively to poplars.

In addition payments are made for the timely thinning of young plantations. Payments in respect of coniferous thinnings are at the rate of 3 pence per cubic foot subject to certain conditions as to area and volume or £3.15s. per acre. The flat rate of £3.15s. per acre is also applicable to hardwoods.

### Fisheries

11. White Fish. A subsidy is being paid during the period August 1950 - January 1951 to catchers of white fish (i.e., any fish found in the sea except herrings, salmon, migratory trout and shell fish) caught from British fishing vessels of less than 140 feet in length, in certain waters (between 43° and 63° N. and east of 17° W). For vessels up to 70 ft. in length, the subsidy is at the rate of 10d. per stone of fish sold wholesale; for larger vessels, it takes the form of a fixed sum (up to £12) per day spent at sea, and is not paid or is reduced where the gross earnings of the vessel per day at sea and/or for the voyage exceed certain maxima.

12. Financial Assistance to Inshore and Herring Fishermen. Under the Inshore Fishing Industry Act, 1945, the Minister of Agriculture and Fisheries and the Secretary of State for Scotland were authorized to make grants not exceeding a total of £500,000 and loans not exceeding a total of £800,000 to inshore fishermen (i.e. fishermen using boats not exceeding 70 ft. in length) for the construction, acquisition and improvement of fishing boats and the purchase of nets and gear. The White Fish and Herring Industries Act, 1948 increased the aggregate amounts authorized to £1,000,000 for grants and £1,800,000 for loans. At 30 June, 1950 grants totalling £763,363 and loans totalling £1,327,852 had been offered and accepted. Similar grants and loans to herring fishermen may be made under the Herring Industry Act 1944. At 30 June, 1950 grants totalling £344,375 and loans totalling £622,489 had been offered and accepted.

13. Herring oil and meal. Herring surplus to other requirements is purchased by the Herring Industry Board at a fixed price of 35 shillings per cran for conversion either in their own factories or in commercial factories. The proceeds from the sale of oil and of the meal (which is rationed and subject to a maximum price) does not meet the cost of purchase, processing and transport of the herring taken for conversion. The Board's loss is reimbursed by the Government by means of grants under the White Fish and Herring Industries Act 1948. In the year ended 31 March 1950 the total grant for these purposes (excluding capital expenditure) amounted to £160,335.

### III. INDUSTRIAL SUBSIDIES

14. Watches and watch jewels. The watch and watch jewel industries are industries developed during the Second World War and are not yet fully economic. To assist their development, certain essential machinery is provided by the Government on easy rental terms (4% per annum) and the user has the option to purchase the machinery at the end of five years at the market value then prevailing. It is estimated that this financial support will not exceed 5% of the production costs of the firms concerned during the five years' rental period.

15. Films. There is no Governmental subsidization of films, but it may be mentioned that under a voluntary agreement concluded on 29 July 1950, between the principal Trade Associations of the film producers, renters and exhibitors, a central reserve of funds has been established within the industry for the purpose of supporting and encouraging domestic production of films. The central reserve is maintained by payments which exhibitors have undertaken to make as a result of additional receipts derived mainly from slight increases in the higher prices of admission to cinemas in the United Kingdom and partly from some adjustments made under the Finance Act, 1950 to the scale of entertainments duty applicable to cinemas. These funds, which it is estimated will amount to about £1 1/2 million per annum, are administered by a Central Committee consisting of representatives of the film Trade Associations concerned.

UNITED STATES

(a) First Notification, of April 3, 1950,  
for Fiscal Year 1949-1950

The subject matter of the report is presented in three parts. Part I discusses the legislation currently in effect providing for government support of agricultural prices in the United States. Part II discusses domestic farm surplus disposal programs, and Part III the subsidization of exports of farm products.

I. Agricultural Price Support Legislation

1. During 1949-50 price support programs are in effect on the 1949 crops or the 1949 production of 30 commodities. By law, price support is required for (a) the so-called "basic commodities", cotton, wheat, corn, tobacco, rice and peanuts, and (b) the so-called "Steagall commodities", hogs, eggs, chickens, turkeys, milk, butterfat, dry peas of certain varieties, dry edible beans of certain varieties, soybeans for oil, peanuts for oil, flaxseed for oil, American-Egyptian cotton, potatoes and sweet potatoes. During the year price support operations are also in effect for oats, rye, barley, grain sorghums, tung nuts, gum naval stores (gum turpentine and gum rosin), hay and pasture seed, and winter cover crop seed.

2. Under the Agricultural Act of 1949, price support operations will be required by law for the 1950 crops and the 1950 production of the following 13 commodities: (a) the so-called "basic commodities", cotton, wheat, corn, tobacco, rice and peanuts, and (b) the "designated non-basic commodities", wool, mohair, tung nuts, honey, Irish potatoes, whole milk and butterfat.

Price support operations are discretionary for a number of other commodities under the Agricultural Act of 1949. Section 401 (b) of the Act provides that in determining whether such price support operations shall be undertaken, the Secretary of Agriculture must take into consideration the following factors: (1) the supply of the commodity in relation to the demand therefor; (2) the price levels at which other commodities are being supported, and in the case of feed grains, the feed value of such grains in relation to corn; (3) the availability of funds; (4) the perishability of the commodity; (5) the importance of the commodity to agriculture and the national economy; (6) the ability to dispose of stocks acquired through price-support operations; (7) the need for offsetting temporary losses of export markets; (8) the ability and willingness of producers to keep supplies in line with demand. As of February 1, 1950, the Secretary of Agriculture has announced price support programs for the 1950 crop or production of eggs, flaxseed, dry edible beans, winter cover crop seed and gum naval stores.

3. Operations designed to carry out legislative guarantees of price floors have generally resulted in effective support of prices of domestic agricultural commodities. The precise effect of such domestic price support programs on international trade is difficult to determine in all cases inasmuch as there are many other conflicting factors which influence the flow of trade. In some

instances the short-run maintenance of price floors had tended to increase the attractiveness of the United States market and thus to stimulate imports. Under such circumstances, if United States prices were above world prices, exports would probably decline.

Over a longer period, however, effective support of prices without effective mechanism for adjusting production or regulating marketing tends to increase output. If consumption of domestic commodities declines or does not increase at as rapid a rate as production, government-held surpluses will accumulate in the absence of increased foreign takings. If the product is no longer able to compete in world markets, the excess may be disposed through gifts, diversion programs, export subsidies, restriction of imports or a combination of these methods. Thus price supports may lead to situations in which, through complementary measures, imports are reduced or exports are increased. Such measures in so far as not covered by Article XVI itself, are covered by other provisions of GATT under which any problems relating thereto may be dealt with.

4. Domestic law requires that disposition of commodities acquired under price support programs be carried out in such manner as not to disturb markets. Domestic legislation in regard to the disposal of stocks owned or controlled by the United States Department of Agriculture as a result of price support operations is contained in Section 407 of the Agriculture Act of 1949 which provides that the Department of Agriculture may not sell any basic agricultural commodity or storable non-basic commodity at less than 5 percent above the current support price for such commodity, plus reasonable carrying charges. 1/

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1/ Prior to October 31, 1949, when the Agricultural Act of 1949 became effective, disposals were carried out in accordance with the provisions of Section 302 (h) of the Agricultural Adjustment Act of 1938 as amended by Section 202 (a) of the Agricultural Act of 1948. Since October 31, 1949 operations have been carried on in accordance with the provisions of Section 407 of the Agricultural Act of 1949.

While the present and the former disposal restrictions have different methods of computing the minimum sales price, and refer to different types of commodities (the Act of 1948 covered "farm" commodities, whereas the Act of 1949 covers "basic and storable non-basic" commodities), the exception clauses are practically the same. In discussing sales, no effort has been made to separate sales prior to October 31 from those after that date.

Certain specific exceptions to this rule which are permitted by the law make it possible under given circumstances to dispose of government owned or controlled stocks at prices below this level. Thus the price restriction does not apply to (A) sales for new or by-product uses; (B) sales of peanuts or oilseeds for the extraction of oil, (C) sales for seed or feed if such sales will not substantially impair any price support program; (D) sales of commodities which have substantially deteriorated in quality or as to which there is danger of loss or waste through deterioration or spoilage; (E) sales for the purpose of establishing claims arising out of contract or against persons who have committed fraud, misrepresentation, or other wrongful acts with respect to the commodity; (F) sales for exports; (G) sales of wool; (H) sales for other than primary uses.

## II. Domestic Subsidy Programs

### (a) Sales under Section 407, Agricultural Act of 1949

The authority granted in this Section of the Act to sell in the domestic market at prices below the established floor has been used for potatoes sold for non-food use, peanuts sold for the extraction of oil, wool, and for commodities where there was danger of loss or waste through deterioration or spoilage or where deterioration had taken place. Sales made below market price, in each case only a small part of the total supply, were as follows :

Potatoes : Sales of potatoes were made under exceptions (A), (C) and (D). Sales from the 1949 crop sold domestically at reduced prices through December 31, 1949 amounted to about 7.8 million bags (100 lbs. each) for these purposes: Stock feeding, 6.1 million bags; starch, 1.0 million bags; feed demonstration purposes, 0.4 million bags; flour, 0.2 million bags, glucose, 0.1 million bags.

Peanuts : Sales of peanuts for the extraction of oil, exception (B) totalled 334 million pounds for \$19 million during the period July 1, 1949-December 31, 1949. Sales generally were made on basis of competitive offers, at prices reflecting market prices for the oil and meal obtained from peanuts. These prices are not comparable with the support price for peanuts used for edible purposes. Marketing quotas are currently in effect on the 1949 crop of peanuts.

Wool: Domestic wool sales, exception (G), during the period July 1, 1949-December 31, 1949, amounted to approximately 58 million pounds with a total return of \$39 million. These sales were made at prices intended to reflect market prices. The wool sold consisted of residual supplies in the hands of the Commodity Credit Corporation.

### (b) Section 32 Subsidies

Further provision for government sales of agricultural commodities on the domestic market below market price is contained in Section 32, as amended, of the Act of August 24, 1935, which amends the Agricultural Adjustment Act of 1933. Clause 2 of Section 32 authorizes payments for diversion of certain

commodities to other than normal channels of trade. These programs made possible the use of products for purposes for which they would not normally be bought in commercial markets. During the fiscal year 1949-50 diversion programs have been authorized for cotton, prunes and raisins, almonds, walnuts and filberts.

### III. Export Subsidy Programs

1. Authority for export subsidies is contained in the following United States legislation: (a) Section 32, as amended, of the Act of August 24, 1935, which amends the Agricultural Adjustment Act of 1933, and including amendment under Section 112 (f) of the Foreign Assistance Act of 1948; (b) Section 407 of the Agricultural Act of 1949, as quoted above (replacing similar provisions of earlier acts); (c) Section 2 of the International Wheat Agreement Act of 1949.

(a) Section 32 provides that certain funds shall be made available annually to the Secretary of Agriculture for a number of purposes, including the encouragement of the exportation of agricultural products by making benefit payments in connection with exports, or by indemnifying exporters for losses incurred in connection with such exports. Section 112 (f) of the Foreign Assistance Act of 1948 extends the use of Section 32 funds to payments to private exporters and to United States agencies exporting surplus agricultural commodities pursuant to any act providing for assistance or relief to foreign countries. Export subsidies under Section 32, including subsidies under Section 112 (f) when made on commodities moving through commercial channels, are being paid during the current fiscal year, for cotton, dried fruit, oranges, apples, winter pears, wheat and wheat flour. 1/

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1/ Provision has been made under Section 112 (f) to facilitate exports to ECA countries, through government channels. Such exports in the current year consisted of eggs, dried fruits, flaxseed, linseed oil and peanuts. These programs, financed entirely through Section 32 and ECA grant funds, have not been considered as subject to the provisions of Article XVI of GATT. A few shipments so financed, but moving through commercial channels, may be included among the programs reported under (a) above, when the records did not clearly indicate the source of the funds. The quantity of products for which export markets had to be secured was considerably reduced by the following domestic donation programs:

Section 32, as amended, of the Act of August 24, 1935, which amends the Agricultural Act of 1933, makes available funds for the purchase and donation of agricultural products for school lunches, welfare agencies, and other eligible institutions. Through December 31, 1949, \$51 million was allocated for this purpose by the Secretary of Agriculture, of which \$9.5 million had been expended.

Under Section 416 of the Agricultural Act of 1949, the Commodity Credit Corporation is authorized to make available without charge, for school lunches, to the Bureau of Indian Affairs and to public and private welfare agencies, at the point of storage, commodities acquired through price support operations which are found to be in danger of loss through deterioration or

(b) Section 407 of the Agricultural Act of 1949 provides in effect that the Commodity Credit Corporation may sell for export, at a loss, any commodity owned or controlled by it.

(c) Section 2 of the International Wheat Agreement Act of 1949 provides that the Commodity Credit Corporation shall be reimbursed, by Congressional appropriation, for losses incurred as a result of wheat and wheat flour sales by it under the Agreement.

2. Four circumstances have brought about a limited use of export subsidies in the United States in the period under discussion.

(a) Through the operation of various types of domestic agricultural programs, and particularly during periods of declining prices abroad, prices of farm products in the United States have sometimes risen to higher levels than in other countries. In the case of some important export products surpluses have accumulated which could be reduced only by subsidizing consumption at home and sales abroad. Such surplus conditions have been, in substantial part, an outgrowth of war and postwar production programs.

(b) During and after the war American agriculture was pushed to unprecedented heights of production in all major branches. Much of this production served to provide for the needs of the allied forces abroad and subsequently for those of people in war-disrupted countries. As a cushion against the effect of a sudden decline in demand following the war and the post-war emergency period of shortages abroad, price guarantees to producers have been continued. Expanded agricultural output on the one hand and some shrinkage in foreign demand on the other hand have resulted in the development of surpluses of certain commodities, for which outlets could not be found in the United States.

(c) The shortage of dollars in many established foreign markets for United States agricultural products has, for the time being, rendered ineffective the normal demand for these products. Supplies have thus accumulated that would ordinarily have found a ready outlet abroad. In order to reduce the impact of this situation on the respective producer groups, special arrangements have been made to facilitate the movement of some of these commodities to their traditional markets.

(d) In the special case of wheat, United States participation under the International Wheat Agreement made necessary payments to exporters, in accordance with the provisions of the Agreement.

3. The circumstances leading to the application of the particular export subsidy programs in use in the period under review, and the amount of the subsidization involved, are summarized in the following pages.

1/ (cont.)

spoilage before they can be disposed of in normal domestic channels without impairment of the price support program. Through February 1, the Commodity Credit Corporation has invoked provisions of the section for white potatoes, non-fat dry milk solids, and dry eggs.

### Cotton

The Section 32 program for cotton in effect during the fiscal year 1950 is a continuation of earlier programs. However, the rate of subsidy payment as well as exports under subsidy were substantially reduced. Payments during the current fiscal year through December 31, 1949, were at the nominal rate of 10 cents per bale, a rate too low to have had any effect on commodity exports.

### Fruits

Prior to the war nearly 40 percent of the winter pear production of the United States, 35-40 percent of the dried fruit output, and 7 percent of the citrus fruit production were exported, mainly to European markets. In their efforts to regain markets after the war, our exporters encountered difficulties due to the shortage of dollars. Demand for these products has, however, persisted. To a small extent it has been possible to fill this demand by making available to foreign buyers part of our surpluses accumulated in this country at substantially lower prices than those maintained in this country on a basis of our price support and marketing programs. Considerable quantities of fruit were also disposed of through domestic donation and diversion programs.

Commercial exports of fruits and fruit products effected under Section 32 subsidy in the fiscal year 1949-50 have been limited mainly to countries participating in the ERP. Subsidy payments were made to exporters upon presentation of evidence of actual shipment.

#### Winter pears and apples

On October 15, 1949, payments to exporters on apples and winter pears were announced at a maximum rate of 50 percent of the gross export sales price, f.a.s. U.S. ports - but not more than \$1.25 per container of approximately one bushel. The subsidy applies to exports to ERP countries, Israel, Egypt, the Philippine Islands and Western Hemisphere countries, except Canada, Cuba, Mexico and Venezuela. Through December 31, 1949, payments on exports of apples and winter pears totalled \$227,257. The program was to be operative through June 30, 1950, but was cancelled with respect to winter pears effective February 15, 1950.

#### Dried Fruits (Prunes and Raisins)

Payments to exporters on prunes and raisins were announced on August 29, 1949, at a maximum rate of 50 percent of the gross sales price, f.a.s. U.S. ports, on fruit shipped to ERP countries. Through December 31, 1949, payments of \$22,000 were made on exports of 297 tons of raisins and prunes. The program terminates June 30, 1950.

#### Oranges

On November 1, 1949, payments to exporters were announced on surplus packed fresh oranges and canned single strength and concentrated orange juice at a maximum rate of 50 percent of the gross sales price f.a.s. U.S. ports, on fruit shipped to ERP countries - Israel, Egypt, the Philippine

Islands, and Western Hemisphere countries except Canada, Cuba, Mexico and Venezuela - provided that the gross sales price should not exceed the domestic market price at the time of sale and place of delivery. Through December 31, 1949, no payments had been made under this program. The program terminates June 30, 1950.

### Eggs

The Commodity Credit Corporation, required by law to support egg prices at 90 percent of parity through December 31, 1949, has purchased substantial quantities of dried and frozen eggs. This price support program was part of the post-war readjustment program for eggs. As a result of the Government's encouragement to producers during the war to increase egg production to meet military, allied and domestic needs, a postwar surplus of lower grade eggs developed in the areas where processing plants had been established during the war. While better grade eggs have moved to market above support levels, it has been necessary to undertake purchase programs for the lower grade eggs in order to keep the average price of eggs at the support level.

The Commodity Credit Corporation, after making all possible sales at the full price, both in the domestic and foreign market, undertook the commercial sale of these eggs for export at reduced prices. Donations of dried eggs being made by CCC both at home and abroad under Section 416 of the Agricultural Act of 1949, will reduce the quantities available for commercial export sale.

From July 1, 1949, through the end of the calendar year 1949, commercial sales of dried whole eggs for export totalled 1, 192,246 pounds on which Commodity Credit Corporation sustained a loss of approximately \$775,937. The cost of these eggs was estimated to have been \$1,549,920; thus the rate of subsidy was approximately 50 percent. Sales were made to Arabia, Batavia, Belgium, Chile, Germany, United Kingdom, Israel, Mexico, Netherlands, Newfoundland, Philippines, Switzerland, and Union of South Africa.

On January 18, 1950, the Commodity Credit Corporation offered for export its stocks of dried whole eggs at 40¢ per pound, f.a.s. New York or New Orleans. The current market price in the U.S. is about 96 ¢ per lb. Sales are limited to buyers not using ECA dollars or other funds of the United States Government. No sales at this price had been reported by February 1, 1950.

### White Potatoes

During the war the United States Government encouraged the expansion of potato production to meet increased wartime requirements. In the postwar readjustment period producers have been protected against sudden losses by continued price support operations. Consequently temporary surpluses of potatoes have developed. Domestic programs were effected to dispose of substantial quantities of potatoes below the support price (see above). Potatoes were also offered to exporters below support prices, but no sales were made during the fiscal year until prices were reduced to 1¢ per bag of 100 lbs. at country shipping points.

Under provisions of an announcement on January 18, 1950, the CCC made available for export to areas other than to United States possessions, Canada, Mexico, or the Caribbean area an undetermined quantity at 1¢ per 100 lb. sack at country shipping points. Exporters are required to pay the cost of inland transportation, handling and loading aboard vessels. Through January 25, 1950, 8,360 cwt. had been disposed of under this program, for \$83.60.

#### Flax Fiber

During the war the United States Government encouraged flax fiber production to meet increased requirements at a time when imports were difficult to secure. Stocks were accumulated by the Commodity Credit Corporation as a result of postwar assistance to these producers who expanded production at Government request. Most of the stocks were disposed of on the domestic market at competitive market prices, and small shipments were made under ERP. In order finally to liquidate stocks on hand, exports were made at less than the cost to CCC. Between July 1, 1949 and December 31, 1949, 178,145 pounds of flax fiber were sold at 13¢ per pound, which represented a loss to CCC of approximately \$61,319 or 35¢ per pound.

#### Peanuts

As a result of price support operations on peanuts, part of a program for post-war assistance to producers who had expanded production during a period of world shortage of fats and oils, the Commodity Credit Corporation was faced with stocks of peanuts. With no alternative method of disposal for primary use, during the period July 1, 1949-December 31, 1949, the Commodity Credit Corporation sold to Israel 2,236,875 pounds of shelled peanuts at a price of 8-1/4¢ per pound, representing a loss to CCC of \$153,720.

On January 18, 1950, the Commodity Credit Corporation offered for export to buyers not using ECA dollars or other funds of the United States Government 50 million pounds of No 2 shelled peanuts at 8-1/8¢ per pound, f.a.s. Gulf and Southeastern ports. The announced price is above the domestic price of peanuts used for expressing oil, but below the price of peanuts for edible purposes.

#### Dry Edible Beans

Between July 1, 1949 and February 1, 1950, the Commodity Credit Corporation sold for export 1,473,195 pounds of dry edible beans, at a total loss to CCC of \$15,000.

#### Wheat

Up to November 4, 1949, Section 32 funds were used to reimburse exporters for the difference between the cost of wheat and wheat flour in the United States and the price applicable under the International Wheat Agreement. During the current fiscal year, expenditures of Section 32 funds for this purpose totalled \$1,727,000.

Since November 4, 1949, under provisions of the International Wheat Agreement Act of 1949, the use of Commodity Credit Corporation funds was authorized for sales under the Agreement. Through November 30, 1949, CCC funds expended for this purpose totalled \$1,615,000.

Commodity Credit Corporation Export Prices Announced January 18, 1950.

On January 18, 1950 the Commodity Credit Corporation made public the first in a monthly list of prices at which specified quantities of CCC commodity holdings will be available for export during that month. Sales are restricted to buyers not using ECA dollars or other funds of the United States Government, but commodities for which the sales prices are "not less than the domestic market price on the date of sale" may be resold to buyers using such funds. In the case of potatoes, sales are restricted to exports to areas not normally supplied by U.S. exporters. In general commodities are offered for sale at current market prices; the principal exceptions, eggs, peanuts and potatoes, have been dealt with under the appropriate commodity heading. The additional commodities offered for sale include non-fat dry milk solids, dry edible beans, flaxseed, linseed oil, oats, barley and corn. 1/

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1/ At the same time, CCC offered for sale 33 million pounds of Mexican canned meat, held in bond in this country, at 15¢ per pound, delivered alongside ship at ports on the Gulf of Mexico. It cost between 29 and 30 cents a pound and was bought under a program designed to help Mexican cattlemen find a market for cattle which no longer can be shipped to the United States because of a quarantine against the foot-and-mouth disease.

UNITED STATES

(b) Second Notification, of April 13, 1951,  
for Fiscal Year 1950-1951

This notification reports all subsidies in effect in fiscal year 1950-51 which are required to be reported under Article XVI of the General Agreement. It should be noted that the use of subsidies which operate directly or indirectly to increase United States exports or reduce United States imports have been greatly curtailed within the current year. This is due partly to the changed international commodity situation. To a great extent it is a result of the disposition of surplus commodities through domestic donation and diversion programs, and foreign donations or sales for relief purposes. Details on these latter dispositions, which are not considered subject to the provisions of Article XVI since the commodities under these programs did not enter commercial channels, have been included in the Appendix to this notification.

I. Agricultural Price Support Legislation

During the 1950-51 fiscal year price-support operations were conducted completely under the Agricultural Act of 1949. That act makes it mandatory to support prices of the following 13 commodities: (a) the so-called basic commodities; corn, wheat, cotton, tobacco, rice and peanuts. (b) The so-called "designated nonbasic commodities"; wool (including mohair) tung nuts, honey, Irish potatoes (through the 1950 crop only), milk, and butterfat. Programs also were announced for the 1950 production of dry edible beans, gum naval stores, flaxseed, eggs, soybeans, grass seed, and winter cover crop seed.

II. Export Subsidy Programs

(a) Export subsidies under Section 32 of Agricultural Adjustment Act, as Amended.

Export subsidies under Section 32 during the fiscal year 1951 have been in effect with respect to cotton, fresh apples and pears, dried prunes and raisins, honey, citrus fruits and products.

Cottons: Payments to exporters are authorized at 10¢ per bale of lint cotton. Of the \$25,000 authorized for this purpose through January 31, 1951, \$289 has been expended for such payments on 2,894 bales of cotton.

Fresh apples and pears: On September 8, 1950, the Department of Agriculture announced that it would make payment to U.S. exporters for exports of fresh apples and pears to any participating country as defined in the Foreign Assistance Act of 1948, to the Philippine Islands, Indonesia, Israel, Egypt, and any Western Hemisphere country except Canada, Cuba, Mexico and Venezuela. Rate of payment equals 50 percent of export sales price, basis, f.a.s., U.S. ports,

computed before deduction of such payment, but cannot exceed \$1.25 per bushel or box. This program was in effect through May 31, 1951, for apples and through May 15, 1951 for pears. Of the \$4 million authorized for this purpose, \$1.2 million was expended through January 1, 1951 covering 661,289 boxes of apples and 299,815 boxes of pears.

Dried prunes and raisins: The Department of Agriculture authorized export payments on prunes and raisins for the period beginning October 1, 1949 and ending July 31, 1950 for raisins and August 10, 1950 for prunes. Maximum rates of payment ranged from 25 to 40 percent for prunes and from 40 to 50 percent for raisins of the gross sales price, f.a.s. U.S. port, including lowest inland freight and port charges. In the fiscal year 1951, payments to exporters were made on 20,059 tons of prunes of \$1.9 million and on 14,622 tons of raisins of \$1.4 million.

Honey: The Secretary of Agriculture authorized export subsidy payments on honey during the period March 30, 1950-March 31, 1951 at the rate of 4½ cents per pound, or 50 percent of the f.a.s. sales price or 50 percent of the domestic market price, whichever is lower. Expenditures in the fiscal year 1951 through January 31, 1951 totalled \$294,941 on 6.6 million pounds of honey.

Citrus fruits: On November 10, 1950 the Department of Agriculture announced that it would make payments to exporters for exportation of fresh and processed oranges and grapefruit to any participating country under the Foreign Relief Assistance Act of 1948 and to the Philippine Islands, Indonesia and any Western Hemisphere country except Canada and Mexico. Rate of payment cannot exceed 50 percent of the sales price (computed before deductions of such payment) basis f.a.s. U.S. ports. Such rate shall not exceed 50 percent of domestic market price at time of sale and place of delivery of produce expressed in certain specified dollar and cents figures — for instance, \$1.65 per bushel of California or Arizona fresh oranges. This Program was in effect during period November 15, 1950 to September 25, 1951. Through January 31, 1951 payments totalled \$312,650 on 56,744 boxes of fresh oranges, 56,610 boxes of fresh grapefruit, 100,600 gallons of concentrated orange juice, 6,699 cases of single strength orange juice, 10,548 cases of single-strength grapefruit juice, and 500 cases of single-strength blended orange and grapefruit juice. In addition, during the current fiscal year, payments were made to exporters under the authorization of November 11, 1949 with respect to oranges and orange products reported in the U.S. submission under Article XVI of last year. Such payments totalled \$972,438 representing exports of 462,180 boxes of oranges, 141,663 gallons of concentrated orange juice and 4,260 cases of single-strength orange juice.

(b) Export Subsidies under Section 407

Export sales under Section 407 of the Agricultural Act of 1949 (other than the sales for relief purposes referred to in the Appendix 4) have consisted of sales from the announced price lists of the Commodity Credit Corporation, and special government-to-government sales by the CCC.

(i) Sales pursuant to monthly price lists:

Of total sales from the CCC "export price list" only six percent were sales of a type falling under Article XVI. During the fiscal year 1951 through March 16, such sales totalled \$7 million as follows:

Dried whole eggs	5.5 million lbs.	\$1.4 million
Nonfat dry milk solids	7.8 " "	.7 "
Dry edible beans	68.2 " "	3.8 "
Dry edible peas	30.4 " "	.9 "
White potatoes	29.4 " "	.2 "

(ii) Other Sales

The Commodity Credit Corporation also concluded three sales direct with other governments at reduced prices during the fiscal year July 1, 1950 through February 28, 1951. These included the sale of 73 million pounds of non-fat dry milk solids to Denmark for use as animal feed, 51 million pounds of nonfat dry milk solids to Japan, and 56 million pounds of cheddar cheese to the United Kingdom.

(c) Subsidies on Wheat and Flour exported under the International Wheat Agreement

In the special case of wheat, payments are made to exporters by the Commodity Credit Corporation on a reimbursable basis from Congressional appropriations of the difference between the domestic prices and the Wheat Agreement prices. In addition wheat sold by CCC to purchasing governments under the Wheat Agreement also receives the benefit of the export subsidy. Such subsidies are not of the type defined by Article XVI and totalled \$64 million during the period July 1, 1950-January 31, 1951.

APPENDIX

I. Domestic Diversion and Donation Programs

(a) Sales under Section 407

The authority granted in this Section to sell in the domestic market at prices below the established floor was used in 1951 for potatoes sold for nonfood use, peanuts sold for the extraction of oil, and for other commodities where there was danger of loss or waste through deterioration or spoilage, or where deterioration had taken place. Sales made below the market price in each case represented only a small part of the total supplies and were as follows:

Potatoes

Sales from the 1950 crop through February 28, 1951 made domestically at reduced prices under exceptions (A), (C) and (D) of Section 407 totalled 15.8 million bags (100 lbs.) for these purposes: Stock Feed 10.0 million bags; Starch 5.5 million bags; Flour 0.3 million bags.

Peanuts

Sales of peanuts domestically for the extraction of oil (exception D of Section 407) totalled 35 million lbs. of farmers' stock and 78 million pounds of shelled peanuts sold for \$10.6 million during the period July 1, 1950 through February 28, 1951. (These figures do not include sales of so-called "excess" peanuts which were purchased and sold at prices based on their oil content.) Sales generally were made on the basis of competitive offers at prices reflecting market prices for the oil and meal obtained from peanuts. Marketing quotas are currently in effect on the 1950 crop.

(b) Section 32 and Section 6 Operations

(i) Domestic Section 32 Diversion programs with respect to the commodities mentioned in the previous report were terminated in the fiscal year 1950. The only domestic diversion program in effect during the fiscal year 1951 was on honey.

(ii) Domestic Purchase and donation programs under Section 32 have been authorized for the fiscal year 1951 for apples, canned cherries, canned cranberry sauce, extracted honey, sweet potatoes, fresh vegetables and frozen turkeys. Through January 31, 1951, \$15.8 million has been allocated for this purpose in the fiscal year 1951 of which \$5.9 million has been expended.

(iii) Domestic purchase and donation programs under Section 6 of the National School Lunch Act have been authorized for fiscal year 1951 for American Process cheese, concentrated orange juice, canned tomatoes and tomato paste, peanut butter, canned and dried fruits, dry edible beans and smoked pork shoulder picnics. Total funds authorized for this purpose in the fiscal year 1951 through January 31, 1951 were \$17.3 million, of which \$5.6 million has been expended.

(c) Domestic Donations under Section 416

Donation programs under Section 416 of the Agricultural Act of 1949 were in effect during the current fiscal year with respect to nonfat dry milk solids, dried eggs, butter, cheese and Irish potatoes. During the calendar year 1950 donations to eligible recipients in the United States reached a total of 358.2 million pounds, divided as follows:

Nonfat dried milk solids	(lbs.)	12,783,000
Dried eggs . . . . .	"	5,723,000
Potatoes . . . . .	"	283,185,000
Butter . . . . .	"	36,475,000
Cheese . . . . .	"	20,035,000

In December 1950 cheese and butter were removed from domestic donation.

These domestic donation and diversion programs outlined above under Sections (a), (b), and (c) greatly reduced stocks of surplus commodities and thus reduced the need for export subsidies.

II. Foreign Donation and Disposals for Relief Purposes

(a) Disposals under Section 416 and Section 407 for relief purposes

Noncommercial disposal under authority of Section 407 and Section 416 of the Agricultural Act of 1949 consisted of (i) donations to United States private welfare organizations for foreign relief, (ii) sales at nominal prices to International Children's Emergency Fund (UNICEF) for foreign relief, (iii) sales at nominal prices concluded through FAO Committee on Commodity Problems for noncommercial use for school lunch programs, the relief of displaced persons, and to help relieve famine resulting from the severe drought in Yugoslavia.

(i) Section 416 commodities donated to U.S. private welfare organizations for foreign relief during the calendar year 1950

<u>Commodity</u>	<u>Pounds</u>	<u>Major recipient</u>
Dried whole eggs	30,435,000	Germany, Yugoslavia
Butter	37,744,000	Israel, Yugoslavia
Nonfat dry milk solids	113,852,000	Germany, Israel, Yugoslavia
Cheese	8,460,000	Germany, Israel
Irish potatoes	13,900,000	Israel.

Of the five commodities listed above, only Irish potatoes are currently available for foreign donation. Butter and cheese were removed in December 1950 and nonfat dry milk solids in January 1951.

(ii) Sales to UNICEF

During the fiscal year beginning July 1, 1950, through February 28, 1951 such sales totalled 13.5 million pounds of cheddar cheese and 75 million pounds of nonfat dry milk solids, for use chiefly in school lunch and child feeding programs.

(iii) Sales through FAO - CCP (through February 28, 1951)

Nonfat dry milk solids: 790,000 lbs. to Nationalist China  
Butter: 5½ million pounds to Italy  
Dry edible beans: 44 million pounds to Yugoslavia  
6.7 million pounds to Israel  
Dried whole eggs: 10 million pounds to Yugoslavia

Diversion of surplus commodities to foreign relief and noncommercial uses further reduced the need for export subsidies.

(b) Use of Section 32 funds in connection with Foreign Relief Sales

The use of Section 32 funds was authorized for reimbursement of CCC with respect to surplus grain surghums, flaxseed and linseed oil, dried prunes, raisins, and shelled peanuts made available by it in connection with foreign relief activities of the U.S. Government.

